FOR A NATION OF INTELLIGENT INVESTORS

THE OUTLOOK

Business Loans Still Growing—Difficult Position of the Federal Reserve Board—Gold Imports and Foreign Exchange—Tax Reform—The Market and Business Prospect

THE average price of fifty leading stocks, including both rails and industrials, has raillied within about half a dozen points of the highest figure reached last fall. The recovery from the February break has equalled nearly three-quarters of the decline. The surprising part of it is that this has been accomplished with only a very small increase in bank loans on stock market collateral. Most investors at the higher prices have evidently been able to finance their purchases without much help from the New York banks. In some cases such purchases have doubtless been made out of accumulating profits or savings. In other cases the buyers have been able to arrange for the necessary credits with the aid of outside banks, trust companies, or private bankers.

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DEFLATION STILL DELAYED

BUT although loans of New York banks on Stock Exchange collateral are about three-quarters of a billion below the highest level of last year—which means a reduction of something like 40 per cent.—all of the credit thus released has been quickly absorbed by business loans, so that "deflation" seems to be still as far away as ever. The slight contraction of commercial loans referred to on page 789 proved to be even more temporary than there predicted, as is shown by the bank statement appearing since those paragraphs were written.

Last September the total of Federal Reserve rediscounts fell as low as $1,650,000,000. Last week it had risen to the astonishing total of $2,901,000,000. And practically all of this tremendous increase was in rediscounts on commercial paper, since rediscounts on war paper are now only a shade higher than they were at the low point of September.

There is, it is true, a slow tendency toward reduction of bank loans on war paper, when the averages of recent months are examined; but rediscounts on business paper are nearly five times what they were at the low point of September.

The great significance of this development cannot be minimized or ignored. The winter months afford a favorable time for the reduction of bank loans. The Federal Board has made a special plea for such reductions this year, and has raised rediscount rates in the effort to encourage restriction. Stock market credits have been very sharply cut down. But in spite of all this the volume of rediscounts has grown very rapidly during the last two months.

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FEDERAL BOARD'S POLICY

IN some banking quarters the impression prevails that the Federal Board holds the theory that, while speculative and war paper credits should be limited, loans based on commercial paper are by their very nature self-liquidating and may therefore safely be allowed to rise without restriction.

It is sincerely to be hoped that this impression is a mistake. Commercial loans and commodity prices will rise together to still higher levels unless the movement is checked either by a stern limitation of loans or by higher rediscount rates than those now prevailing. A further inflation of this kind would certainly be very undesirable at this time.

When the disturbance of normal conditions resulting from the war is over, when business has become thoroughly accus-

tomed to the great enlargement of credits permitted by the Federal Reserve Law, and when loans on war paper have been nearly eliminated from our banks, a much less direct control of commercial loans will be needed.

But that time is still distant. As matters stand now, if a further inflation is to be avoided the Board must maintain an adamantine backbone and must not hesitate to face the unpopularity among the unthinking which always falls to the lot of anybody who attempts to set a limit below the sky to business expansion and rising prices.

To paraphrase Carlyle, the population of the United States consists of about 110,000,000 souls, 99 per cent. bulls. And this is a time when the Federal Board, if it assumes an economically sound position, cannot hope for general popular approval.

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GOLD IMPORTS ARRIVE

THE arrival of about $10,000,000 gold from England is hailed as the harbinger of more millions to come, to be used in paying off the Anglo-French loan next fall. It is reasonable to expect that a good deal more will come, as under present exchange conditions gold will be the cheapest medium for making the payment. On the other hand, our merchandise imports for the first quarter of 1920 have averaged about twice those of 1919, and they come for the most part from countries which do not owe us money. Our exports to those countries are not likely to equal these large imports and it is therefore probable that we shall continue to send them gold in part payment. It is doubtful whether our gold imports from England will more than equal our exports to other countries.

However, the effect of these gold arrivals on speculative sentiment will of course be very favorable. It is so long since we have received any gold from Europe that the mere demonstration of England's ability and willingness to send it is very encouraging, and it is of course the principal reason for the sharp rise in sterling exchange to nearly $4. This advance in the exchange rate may not be fully maintained, but it is certainly reasonable to assume that the worst is past in the way of low rates for sterling.

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BUSINESS CONDITIONS GOOD

THE outlook favors an excellent spring trade. It will be carried on under the handicap of restricted credit, but business men in general are showing a willingness to pay the prevailing rate of 7 per cent. for commercial paper without protest, and in view of the scarcity of many lines of goods, the general level of prices is not likely to decline much for some months at any rate.

In some directions slightly less activity is noticeable. There is less buying of steel and iron at fancy premiums. Building construction is hampered by strikes and difficulty in getting materials, and the agitation in New York against the "rent profiteer" makes the intending builder hesitate to pay the present very high costs of construction because of doubt whether rents can be advanced to correspond. The number of visitors in New York City is somewhat less than in recent months. The hotels, which have been crowded, are now stated to be 10 to 20 per cent. unoccupied.

If the Federal Board continues its liberal attitude toward business loans, there will be a further increase to take care of spring business and little or no check to activity will result from the maintenance of rates on commercial paper which, under normal conditions, would look decidedly high. More difficulty will be encountered, doubtless, from insufficient transportation facilities than from lack of necessary credits.

We see no reason to change our view that generally good business conditions are assured until fall at any rate. Nevertheless business men should be cautious about increasing their stocks of goods and materials. War scarcity must inevitably be gradually relieved by peace production, and further price advances, if they come, will be temporary.

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TAX REFORM ESSENTIAL

THE necessity of tax reform is being more and more generally recognized. As it now stands, our tax system is the outcome of hasty war legislation. At that time the prime essential was to get the money by the quickest, sure method. But for a more permanent program the final economic effects of taxes must be studied.

The evils of the excess profits tax have often been enlarged upon. In many cases it is a tax upon efficiency. In some, it becomes so burdensome as to check production. It encourages wasteful expenditures. If the tax on profits is 50 per cent., the Government has to stand half of expenditures which would reduce profits. And with the present scarcity of goods, the tax is often passed along to the consumer, sometimes with liberal additions along the route.

Income taxes, also, are open to objections. What we need now more than all else is saving—but a tax on incomes tends to discourage saving. The more logical course would be to tax expenditures, except for necessities.

Taxation should penalize, not saving and accumulation—all of which, to earn interest, must in some way be put to work in the service of the public—it should penalize unnecessary or extravagant expenditures, which, once they are made, are of no further use or benefit to the public.

The sound economic policy would be the extension and increase of our present luxury taxes, which are easily collected, involve no disagreeable inquisition into the personal affairs of the tax payer, and fall upon those things which are of the least permanent public utility. And we may mention in passing that idle land, whether held by speculators or in the form of useless private estates, is, from the public standpoint, one of the greatest of luxuries.

If we are to judge the future by the past, taxation along these lines is too much to hope for. But some measure of tax reform at least may be reasonably expected.

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THE MARKET PROSPECT

THERE have been many favorable developments in recent weeks: The stock dividend decision; the U. S. Steel decision; the new railroad law and court decision; the rise in sterling exchange; gold imports and the stronger position of British finance that they indicate; prosperous general business conditions; and last but not least, the strength of the market in spite of limitation of loans. To these conditions prices have responded and there is, at this writing, no indication that the movement is ended.

At the same time it must be remembered that the high money rates, which seem likely to continue, are a constant weight for the bulls to carry. Holders of many industrial issues now have liberal profits and it would be the part of conservatism to accept profits on some of these holdings. With time money at 8 per cent. to 9 per cent., reactions are to be expected from time to time, and those who take profits on exceptional advances will be in a position to repurchase cheaper when opportunities occur.

The outlook for the rails varies greatly with different issues. Investors should follow carefully the series of articles on railroad stocks now appearing in this magazine. The oil situation is so favorable that these issues should be well maintained, with a strong probability of still higher prices for many of them. But among both rails and oils there are issues in a weak position, which should be avoided.

The coppers have as yet advanced relatively little and should be helped by the plan now under consideration for export sales on credit.

Tuesday, March 30, 1920.

ECONOMIC CONDITIONS ABROAD

The time has passed, if indeed it can be said ever to have existed, when American business was independent of foreign conditions. With our tremendous loans abroad and the great growth of our foreign trade, our prosperity is closely bound up with the trade of the world. The three articles which follow deal with several very interesting aspects of financial and economic conditions abroad, and bring out novel and original points of view.

Italy—Fearless and Thrifty

By **Professor B. ATTOLICO**

Italian Minister Plenipotentiary and Commissioner General for Financial and Economic Affairs

The author of this notable article on Italy, His Excellency Professor Bernardo D. Attolico, holds the rank of Minister Plenipotentiary in the Italian Diplomatic Service. He was born in Canneto, Province of Bari, Italy, on the 17th of January, 1880; took his degree in Economic Sciences at the University of Rome in 1901; was Professor of Economics and Finance at Foggia (1903-1907); served as Commissioner of Immigration, New York (1907-1912); was Professor of History and Legislation of Immigration and Emigration, University of Rome (1912-1913); served as secretary to the Commission on Customs Treaties (1913-1915); from 1915-1917 he represented the Italian Ministry of Supplies in London. From 1917-1919 he was a member of the Allied Maritime Transport Council, the Inter-Allied Council on War Purchases and Finance in London, of the Supreme Economic Council in Paris and a Director of the Economic Bureau of the League of Nations.

In order to acquaint the American public with the true financial and industrial conditions in Italy, Professor Attolico has written this carefully prepared article for THE MAGAZINE OF WALL STREET.

IN the good old days before the outbreak of war, very few countries offered a sounder financial position than Italy; nevertheless her wealth could not be compared to that of France or England. Her entrance into the war, indeed, considered purely from the immediate financial standpoint, was certainly a piece of most sublime folly. But for all that, *she came in*, and no country can claim to have made greater sacrifice of financial interests to ideals than Italy.

But apart from this initial and very precious contribution, the very nature of Italy's economic structure was such that the economic consequences of the war were bound to weigh upon her with exceptional severity.

Agricultural exports, of course, had to be, not curtailed, but stopped altogether, for no food could be spared. Industrial export trade was almost destroyed, for we had been, more than any other country, dependent on the markets of the central Empires, and on Turkey, Bulgaria, etc. We had less tonnage than our Allies, and the submarine menace was more serious in the Mediterranean than elsewhere.

The tourist trade and emigration, which played such an important part in the Italian trade budget, were completely annihilated, and in fact reversed. We used to send abroad 700,000 men every year. Not only did we have to suspend this exodus, but we had to recall from abroad 1,200,000 men.

While Italy suffered from all the economic disadvantages of the war she was not in a position to benefit from any of the advantages it brought. England became of necessity the great manufacturing emporium for the Allies, which implied immediate economic benefit for her people. France had the tremendous asset of the presence of the Allied Armies on her soil, bringing a steady copious influx of fresh blood into her economic organism. Nothing of this kind took place in Italy.

PROFESSOR B. ATTOLICO

Now it is a fixed idea of mine that, first of all, Italy is going to benefit by the greater magnitude of her past sacrifices. In other words, the gradual return to normal conditions all over Europe will benefit Italy more than any other country just because Italy suffered the most from the breakdown of normal conditions. Let me give you some illustrations. Take for instance the case of tourists. We had absolutely none during the war, nor had we any number of Allied troops. Whatever may be the number of American tourists who will now come to us, it will be so much to the good as compared with war conditions. Whatever number may go to other continental countries, they will never equal the millions of Americans who were over there during the war.

Take the case of the displacement of the markets of supply. We used to receive the bulk of certain essential supplies from Russia, Roumania, etc., which are the nearest to us. The greater the disadvantage to us in the loss of these markets (some of which had to be substituted with Australia), the greater will be our gain by their restoration.

It seems to me that all this affords Italy a wider margin of recovery. But, of course, we are not relying on this alone.

Our chief resource lies in our population. We lost 500,000 dead and over 300,000 permanently disabled. But, in spite of this, we are the richest country in Europe in the way of labor, and labor, as a factor in production and in the wealth of nations, has at present several times the value that it had before the war. Indeed, the man who can today rely on his own good hands to work for his living, it as well off, and perhaps better off, than he who relies on inherited income.

I am not speaking of numbers only. I speak also of quality. The 40 million inhabitants of our peninsula are hard-working, sober, thrifty, and very prolific people.

You will come across Italians in all corners of the earth, under every climate,

in all sorts of arts, professions and trades; adapting themselves to all circumstances, and ready if necessary to change their calling several times in the course of their life. Italy is generally regarded as a country with a warm climate, but you will find Italians in Alaska, in Siberia, as well as in Africa. Italians may leave Italy unskilled laborers—they become skilled artisans abroad. Nothing has proved insuperable to them.

I was once asked to send some illustrations of the activities of Italians overseas to an International Exhibition. I simply got together a fine collection of the most fruitful vineyards, the highest buildings, the deepest mines, the principal railroads, and the greatest aqueducts of America; in other words, a collection of all the noblest monuments due to human labor in this country. In all of them Italy was most honorably represented.

The flow of our emigration has once more begun. I can definitely state that since January the tide has turned. Up to December, thousands of our people, for one reason or another, were returning home. Now thousands of them are coming over.

Those thousands of industrious honest laborers have been in the past, and will be in the future, the basis of your wealth. You ought to welcome them to your shores. They make splendid Americans. I will give you an instance of the love they have for their adopted country. Men of all nationalities and all extractions have of course contributed splendidly to the efforts in this country to win the war. You will find practical evidence of this in your war loan subscriptions. I am, however, proud to say that Italians have done even more than their share.

To the first American War Loan they subscribed $150,000,000. To the second $160,000,000. To the third $170,000,000. To the fourth $180,000,000. To the fifth $175,000,000. A total of eight hundred and thirty-five million dollars in almost two years. This figure, in relation to the Italian population in the United States, estimated at four millions, is more than stupendous.

We can, therefore, rely with all certainty upon people who show such character. Quite apart from all indirect benefits derived from our own emigration in the way of expansion of our foreign trade, etc., the direct benefit which Italy obtained from its emigration in pre-war times was about one billion lire annually in remittances. As a consequence of higher wages, that figure can now be easily doubled if not tripled. Also tourist travel is now being resumed. I have traveled all over Europe. I know England, Belgium, France, and am sufficiently acquainted with American cost of living. I can tell you that Italy in spite of the increase in prices due to the war, is still for tourists the most attractive and at the same time the least expensive European country to live in.

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If we rely on the yield of our work and workers both at home and abroad, it does not mean that we are penniless and that our national wealth is destroyed.

Signor Corrado Gini, professor of Economics and Statistics at the Royal University of Padua, a scientist of international prominence, values Italy's wealth, in the year 1914, as follows (in millions of lire):

Private wealth	109,000—110,000
Provinces and Communes	700
Public charitable institutions	2,500
Banks of issue	3,290
Savings Banks	350
Mutual Aid Societies	120
Chambers of Commerce	20
Churches	1,000
Stock Companies	9,000
	125,980 or 126,980

According to Professor Gini's own statement, the above figures do not include wealth of some public bodies, therefore it may be concluded that in the year 1914 Italy's wealth could be stated as 126-127 billion lire.

The above wealth is based upon values existing in 1914, and does not account for the abnormal increase in values resulting from the war. Therefore, it is quite evident that the pre-war valuation of the Italian National wealth can easily be doubled—the present valuation thus resulting in about 250 billions. Against this, the total treasury debt on October 31, 1919, was as follows (in millions of lire):

Total of pre-war public debt and national loans	28,497
Treasury Bonds (including issues for military expenditures)	15,961
Government Bonds—3 and 5 year	6,745
Paper circulation of the Government	11,872
Allied Loans	19,984
Other Liabilities	660
Total debt	83,719

I do not think that the above balance sheet reveals an insurmountable situation.

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The future is of course going to develop fresh resources in Italy. I do not refer merely to exports in the way of wine substitutes and mineral waters, nor to our unrivalled silks, cottons and woolen manufactures, hats, gloves, automobiles, etc., nor to the development of our shipbuilding and water power. I refer to *new* resources of a general character.

For instance, in the future Italy will benefit not only from the emigration of our own race, but from that of other nationalities. As a consequence of the war, emigration from Eastern Europe will develop steadily and substantially. Whether the exodus will be directed to North or to South America is immaterial. Through geographical necessity, once Bremen and Hamburg and other German ports are no longer bolstered up by artificial advantages such as the preferential tariffs which Germany was allowed to enjoy prior to the war, Italy is destined to become the great country of transit for people going from East to West and vice versa. The same may be said for *goods* traffic in both directions. Once freedom is guaranteed, Italy is bound to become the great entrepot of Eastern Europe.

Pari passu with such a development will certainly go the development of Italy as a seafaring country. We have considerably increased our coast and have acquired some of the greatest ports in Europe, such as Trieste. Italy as a seafaring nation can work, with mutual advantage, as America's partner. Their resources and possibilities in this as in other fields, do not contrast but supplement each other.

Our own export trade, moreover, will certainly take a proper share, if not a predominant share, of ex-German and Austrian commerce in the Levant.

In the expansion of our trade in the Near East and the Mediterranean Basin, I also forsee great possibilities for Italian co-operation with America.

The United States shows every good intention of enlarging the field of its commerce and exportation in Eastern Europe, but you are a long way off, and unaccustomed to the habits, languages, and commercial methods of the countries you wish to penetrate. I think you will find it necessary to take into partnership someone who can act as your intermediary.

The Americans, who are so quick to realize the value of the psychological factor in commerce, will easily grasp the difficulties of direct relations between far distant and very different countries. These difficulties are of course enhanced when you are dealing with countries backward in civilization, and in which commercial standards based on honorable dealing are not always in vogue. Trade with such countries can only be successfully carried on through people living as near as possible to the field of operation.

We already have numerous experts for the near East trade in Italy and others would naturally develop as the demand for them increased. Italy—acting as America's partner in this trade—would serve as an emporium for American products, which would be distributed thence to the several importing markets.

You might also see fit to avail yourselves to some extent of our local industries, supplying them with raw material, and in many ways fostering their development. In this manner American capital would have at its disposal a mass of excellent labor, which is not superabundant on this side, and would share in the industrial profits and in the commercial profits not only for the sale of the raw material, but also of the finished goods.

It is clear that no other country in Europe offers such opportunities in this field for co-operation with America.

The whole idea of American-Italian co-operation in the Mediterranean Basin trade is in fact one which ought to appeal to the shrewdness and wide vision of your business men. It has its idealistic as well as its practical side. Asia Minor at the period of Roman conquest offered the world much the same spectacle that America offers today. Immense prosperity followed in the wake of Roman colonization, and magnificent cities sprang up as though by magic.

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There is one thing about which I am particularly proud, and that is that Italy has been the first to tackle seriously the financial problems arising from the war. Even during the war Italian finance has been always more enterprising than that of other countries, and far greater efforts were made to improve taxation and pay for the war. J. M. Keynes recognizes it frankly in his recent book on the "Economic Consequences of the War." But now we have almost completely and funda-

mentally renovated the whole system of our taxation by:

1. The institution of an extraordinary tax on capital—varying from 5 to 25 per cent, payable over thirty years.

2. The institution of a progressive tax on fortunes derived from the war, which is to work in with and complete the existing legislation on war profits.

3. The reorganization of direct taxation on incomes by the institution of a new progressive tax on total incomes.

4. The increase of the extraordinary tax on interest and dividends from bearer bonds, already in force since the end of 1918.

5. The increase and development of taxes on Government transactions and on the sale of goods, particularly those of a luxury character.

No other country in Europe has gone so far. All the above measures adopted a few months ago, have been in force since January 1st.

It would be presumptuous to imagine that we have solved the problem, but we have certainly taken the first and most fundamental step. We might and we certainly will improve on it. Signor Luzzatti, the new Treasury Minister, glorious veteran of Italian finance, can certainly be relied upon to do that.

It would be difficult also to measure with any exactness what the effect of the reform on our Budget will be; but, allowing also for considerable expenditure for social purposes—such as war pensions, the care of war orphans, insurance against unemployment, combating illiteracy, etc., or for general economic purposes, such as facilitating hydro-electric enterprises, the extension of electric railway traction, completion of the southern aqueduct, restoring redeemed territories, completing railway lines in the Trentino, and in settling the currency in the new provinces—allowing, I say for all this exceptional and heavy expenditure, the Italian Minister of the Treasury has announced to Parliament that he expects that the deficit of the Budget, after July, 1921, ought to be reduced to not more than half a billion lire. I need hardly tell you that this would be a most remarkable achievement. Yet I have good grounds for hoping this estimate may be realized. If there is one thing which we in Italy are apt to underestimate in our Budget, it is the amount of our taxation receipts. In the 1918-19 Budget the revenue estimated at 4 billion 419 millions rose in fact to 9 billion 498 millions. In 1919-20 the revenue estimated at 4 billion 855 millions rose to 9 billion 326 millions, and I am sure that a similar increase may be expected in the current and following fiscal years.

The Italian tax-payer is the most honorable and honest in the world. He is just now not only paying new taxes, but he is subscribing most enthusiastically to a new National Loan. Almost 20 billions have already been subscribed—that is to say more than three times the amount of our last war loan. A considerable portion of this loan will be devoted to restoring circulation to more normal conditions, which will be the easier in Italy as, after all, the inflation of our currency is much less than in other European countries. While the internal loan is being sold in Italy, we are now floating a dollar loan in the United States, which particularly aims at reaching our faithful fellow citizens. We address ourselves more especially to the Italian population because we feel that the first to be called on should properly be ourselves.

We have more than one good reason for being hopeful. The number of strikes is rapidly decreasing. We had 1070 during the first six months of 1919, and 627 during the last six months. We are perhaps right now working more than any other country in Europe. Workmen in some factories are themselves asking to work nine hours, and even more, instead of eight. You may hardly believe it, but the increase of exports from Italy during the first nine months of 1919 was far greater than in the case of either France or England. The statistics of the Supreme Economic Council show that the monthly exportation from Italy has increased from 1913-14 to 1919 (October) as 100 to 304; while from England, it has increased from 100 to 183.

The ratio of exports to imports during the first half of the year 1919 was 1—4.92; during the second half, 1—2.24.

Simply give us a fair chance and we will show what we can do. Italy is going to celebrate, only this year, the "golden wedding" of her national unity. We are still young, give us time. Government bonds which, despite the present crisis, are selling in Italy at 85 or thereabouts, were selling fifty years ago at 48. In pre-war years they sold at 106.

Notwithstanding all our financial difficulties we can still afford to be generous. The first country in Europe to receive and feed and care for ex-enemy derelict children was Italy. Only a few weeks ago, the Burgomaster of Vienna was in Italy to inspect the many thousands of little Austrian orphans who have received shelter in the different Italian cities.

Italy is thrifty. Italy is peaceful. Italy is generous. Italy has a great future.

The Decline of Purchasing Power

How the Currencies of Europe Have Fared—Effect of Note Issues and Bond Flotations—Monetary Tendencies

THE accompanying chart, prepared from figures furnished by the German Ministry of Finance for Germany, Professor Bachi for Italy, the Statist for America, the United Kingdom, Japan and France, graphically exhibits the decline of the purchasing power in above-named countries. The year 1914, the first year of the war, was taken as the basic figure, namely 100; that is, in 1914 the dollar could purchase commodities worth 1 dollar, the pound, commodities worth 1 pound, the yen, the franc, the lire and the mark, commodities worth 1 yen, 1 franc, 1 lire or 1 mark respectively. At the beginning of 1918 the condition was entirely changed. The dollar could buy only 48 cents worth of commodities, the pound only 106 pence worth, the yen only 49 sen worth, the franc 30 centimes and the lire 24 centesimi worth.

The purchasing power of the mark was 64 pfennig, *i. e.*, one mark could buy 64 pfennig worth—a relatively small decline, therefore. The reason is obvious: Great military successes in the latter part of 1917, the beginning of peace negotiations with Soviet Russia, culminating in the famous (or shall we say, infamous) Brest Litovsk Treaty, and the activities of the Reichbank in Holland, Sweden and Switzerland in behalf of the German exchange situation. The decline of the mark since the signing of the armistice has, however, been more rapid and more pronounced than that of the other national currencies. In July, 1919, the latest official figures available, the mark could buy only 19 pfennig worth in Germany; in foreign countries the decline was considerably greater.

The decline of the lire is due chiefly to the Italian monetary and credit inflation. Between 1914 and 1919 prices increased about 356%, while the total production of goods has remained the same or even decreased; furthermore, the note issue has increased from 2,800,000,000 lire to about 18,000,000,000, or nearly 540%. Fortunately, however, the government and the Italian people as well, have at last come to realize the gravity of the situation, and only to this is due the remarkable success of the sixth national loan. The proceeds of the loan, according to Treasury Minister Carlo Schanzer, will be devoted almost exclusively to the reduction of the outstanding amount of Treasury bills and issued notes. Thus, and thus alone, is an end in the rise of prices possible.

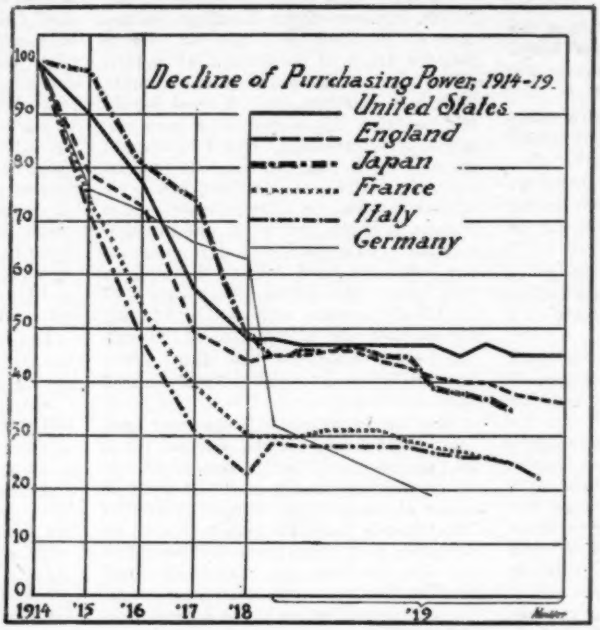
The United States makes the best showing. The purchasing power of the dollar has decreased to about 45 cents, due primarily to the anti-profiteering campaigns and the more or less successful efforts of many individuals to reduce living costs.

In England much the same phenomena appeared as in the United States. The effect of the issue of war bonds and increased currency, the industrial expansion necessitated by war activities, and the hungry demand for commodities after the war had the same effects in the same

way. There are several differences of great importance, however. For one thing, the present tendency in Great Britain is setting strongly toward an increase of exports and a decrease of imports, thus tending to stabilize the position of the pound in foreign exchange, but at the same time tending to lift the general level of prices as increased exportation did in this country.

At the same time, the actual gold cover of the country's currency is proportionately smaller, while the demands for it are greater, with a $500,000,000 issue of gold bonds to be paid off by England and France in some six months. Whether all or a large part of this maturity be paid in gold, there is no doubt but that the currency will tend to be less and less on a gold basis because of this step. In the second place, labor unrest and uncertainty have not reached their crisis in Great Britain, so nearly as in this country. Demands for nationalization of the coal mines and of the railroads are still to be met, which if carried out will mean further Government financing that will have only one meaning for the purchasing power of the pound—a further decline.

In France the situation in the past was made more difficult by the unwillingness of the country's fiscal authorities to resort to taxation to raise war funds. Loans were freely made, both from the French themselves and the Allies, particularly Great Britain and the United States. This large war debt showed its effect, as the accompanying graph illustrates, by an early and rapid decline in the purchasing power of the franc, especially when accompanied by an enormous increase in the issue of notes of the Banque de France when gold resources were increased but slightly.



The break in French exchange means that not only consumption commodities are being paid for at exceptionally high prices, tending to raise the level of prices within France to a level that will equalize the decrease in the internal purchasing power of the franc with its decreased value in foreign exchange, but at the same time capital in the strict economic sense of commodities used to produce other commodities, things like tractors, railroad equipment, textile machinery, is being paid for at such high prices that the commodities produced with their help will have to sell at much higher prices than in the past to enable the producers to earn an adequate return on their investment. For this reason a sharp rise in the purchasing power of the franc is difficult to foresee, for some time to come, at least, or until a readjustment has been effected.

Speculation in German Securities

Increase in Volume of Business with Germany and Leipzig Fair Signs of Germany's Rehabilitation—Various Forms of Securities Discussed—General Outlook

By **MAX WINKLER, Ph.D.**

THE recent advance of the mark has greatly stimulated the demand for both German currency and internal bonds. The demand has become so great (running at the rate of $1,000,000 a day) that most of the larger dealers refused to accept orders for less than 50,000 marks, and a very limited number have placed the minimum at 100,000 marks. The demand for German securities is further increased by the growth of importation of German goods which are considerably in excess of what they were previously. Detailed trade figures have not yet become available but they are expected to show great increases in both German exports to this country and in the volume of goods Germany has been buying from America. Had Germany's buying of American raw materials been less extensive, the mark no doubt would have risen more sharply than it did.

The eagerness on the part of Americans to either speculate in German securities or hold them for investments is easily understood. We must realize that *commercial and industrial* Germany is in earnest in its efforts to regain stability, and is genuinely desirous of working to recover her pre-war position. This is wonderfully evidenced by the Leipzig Fair which commenced last October, and which more than 120,000 visitors attended, or about 20% more than at any previous fair. About 11,000 of the fair-goers were foreign buyers, chiefly from Holland, Norway, Sweden, Spain and North and South America. The most important exhibits were those of the technical section, including many types of new machine tools, mechanical and electrical devices and novelties. The accuracy of the work done by the machinery exhibited, as well as the finish of the machines themselves, left nothing to be desired. Other sections were toys, porcelain and crockery, aluminum-ware, construction materials for the building trades, textiles, musical instruments and jewelry.

This article gives more comprehensive data in regard to the best German bonds than has been published elsewhere. The description of German mortgage bonds is, we believe, new in America.

THE MAGAZINE OF WALL STREET was among the first to call attention to various German bonds, now obtainable at very low prices because of the depreciation of the mark, which must be rated as sound unless Germany turns to Bolshevism, and even in that event would be worthy of consideration as speculations.

Details of German Securities

In view of the above mentioned facts we should not attempt to discourage the American investor or speculator in German securities, whether they be in the form of Government or muncipal bonds, industrial or banking obligations, or even common and preferred stocks of leading manufacturing concerns. What the American does need is more information, and we shall therefore attempt to give him a fairly detailed account of various speculative and investment possibilities of the securities which are offered for in this country.

The securities most actively traded in in this country, are doubtless the bonds issued by the several German municipal Governments. They are guaranteed as to principal and interest by the entire present and future property and full tax-levying power of the issuing cities. Most of them (especially the 1919 issues) were issued to take care of the increasing expenditures of the municipalities as well as many new inventions and to meet changed economic conditions brought about by the

war. The bonds are redeemable either by annual or semi-annual drawings amounting to a small part of the entire loan, usually between ½ and 2½%, or by purchase at par and accrued interest. The issues also provide that coupons and interest, if presented after a period of 4 years and 30 years respectively from date on which they are due or mature, shall be invalid.

Table I herewith presents a number of municipal issues which are quoted on various German Exchanges at prices yielding from 4 to 6%. The assurance of their safety lies in the natural resources as well as the industrial and commercial importance of the issuing municipalities.

Mortgage Bonds

Another form of securities having good speculative possibilities are the so-called *Pfandbriefe*, or mortgage bonds. Trading in these has been very small, chiefly because they are little, if at all known, to the average American investor. Prior to and during the war they were confined almost exclusively to German buyers; only from time to time did foreign interests secure them solely because of their high rating and their substantial yield. The outstanding feature of these securities is their protection, as to principal and interest, the mortgage bonds constituting a prior lien on the present and future property of the corporation against which they have been issued. The majority of these bonds possess what is called in Germany ***Muendelsicherheit,*** that is, they are secured savings bank investments, protected as to principal and interest in case of financial embarrassment of the issuing banking institution or the organization against which they have been issued.

The bonds are issued by the large mortgage and banking corporations in Germany on such real estate or property as has been accepted for insurance by fire assurance companies of good standing, and which has been in use for a period of at least three years. Theaters, breweries and mining properties are excluded. The amount granted is not to exceed one-half the income of the property, determined by the valuation thereof by Government experts. That valuation is, in most cases, equivalent to twenty-times the average annual income for a period of five years prior to application for loan, less taxes and 4%, allowed for depreciation, or to the amount at which the applying corporation's property has been insured. If the property has been in use for three and not more than five years, 10% is deducted for depreciation purposes; if in use for less than three years, bonds may be issued only by unanimous approval of the board of directors of the banking institution, and are not to exceed one-half the cost of the property.*

In accordance with the German law of July 13, 1899, which went into effect January 1, 1900, only certain specified banking corporations and institutions have the privilege of issuing mortgage bonds the nature of which is discussed above. Institutions which have been engaged in this line of business prior to May 1, 1898, are not affected by this law.

Like most municipal bonds, mortgage bonds have, in many cases, no fixed maturity. They are redeemable either by annual or semi-annual drawings at par and accrued interest, amounting to from ½ to 2½% of the entire issue, or by purchase at from 3 to 6 months' notice.

Here, too, coupons and principal are rendered invalid if presented 4 years (in many cases 5) and 30 years, respectively, from date on which they are due or called.

TABLE I—GERMAN MUNICIPAL BONDS.

Name of City.	Commercial and Industrial Importance.	Population (Thousands).	Amounts Issued (1,000 Marks).	Date of Issue.	Interest Payable (%).	Smallest Denomination (Marks).	Date of Maturity.
1. Hamburg (Free State)	Leading German seaport	1,000	40,000†	1904	3½(JO)	500	I
			60,000‡	1913	4(AO)	500	1953
			85,000**	1914	4(AO)	500	1955
			55,000	1919	4½(JJ)	500	1921A
2. Leipzig	Commercial center; leather and hide; furs; books; fairs	750	60,000	1908	4(AO)	200	9.30.30S
			80,000	1916	5(JJ)	200	6.30.25A
			120,000	1918	5(AO)	200	9.30.28A§
3. Nuremberg	Bavarian manufacturing center	400	12,500	1.16.19	4(JJ)	100	1959
4. Stettin	Seaport	400	25,300	12.9.12	4(AO)	200	1953
5. Chemnitz	"Saxon - Manchester"; cotton; paper; machinery	350	50,000	1908	4(JD)	200	1954
			30,000	1914	4(JD)	200	1922A
6. Stuttgart	Agricultural and industrial center	250	33,000	8.8.06	4(JJ)	200	1951
7. Kiel	Famous harbor	175	21,500	4.17.13	4(JD)	100	1929A
8. Mannheim	Leading port on upper Rhine; lumber	.173	10,000	1912	4(MN)	100	1949
			15,000	1.1.14	4½(AO)	100	1961
9. Luebeck (Free State)	Famous seaport on Baltic	140	10,000*	2.19.12	4(JD)	200	6.1.14A
			30,000	2.5.12	4(AO)	1,000	6.1.21T
10. Heidelberg	Wine and lumber	125	3,500	4.20.07	4(MN)	200	11.1.12A
			5,000	5.26.12	4(MN)	100	1947
11. Vienna	Austrian capital	2,030	250,000¶	11.13.15	4(MS)	200¶	2.1.20A

*Outstanding M9,575,500. §Amounting to 1% of loan; 1½% from 9.30.38; 2% from 9.30.48. †Outstanding M35,236,500. **Outstanding M84,641,500. A—By annual drawings beginning this date. S—By semi-annual drawings beginning this date. I—By semi-annual drawings amounting to ½ of 1% of this issue. ¶Kronen.

TABLE II.—GERMAN MORTGAGE BONDS.

Name of Institution	Charter Date	Auth. Capital†	Mtge. Bonds Issued‡	Date Issued	Int. Payable %	Date of Maturity
Bayerische Handelsbank*	1869	44,580	53,617	1904	4 (JJ)	June, 1974
Bayerische Hypotheken und Wechselbank	1835	65,000	366,064	§	4 (JJ)	VY.
			30,000	§	4 (AO)	VY.
Deutsche Hypothekenbank (Meiningen)	1862	31,500	568,591	§	4 (AO)	VY.
Preussische Bodencredit Action Bank	1868	30,000	415,696	§	4½ (JJ)	1928†
			60,400	..	4 (AO)	1947
			30,000	1911	4 (AO)	A.
Hypothekenbank (Hamburg)	1871	36,000	521,939	§	....	VY.
			30,000	1900	4 (JJ)	1965
			40,000	1908	4 (JJ)	1978
Saechsische Boden Creditbank*	1895	12,000	185,408	§	....	VY.
Berliner Hypothekenbank	1901	22,700	239,504	§	....	B.
			20,000	1906	4½ (JJ)	
			20,000	1902	4½ (JJ)	VY.
Preussische Hypothekenbank A. G.	1864	50,500	31,532	§	4	VY.
			142,342	§	3½	VY.

Note.—All the above are in denominations of 100 to 5,000 marks. *Muendelsicher. §Total amount outstanding Jan. 1, 1919. †In most cases redeemable at par plus a premium of 15%, also by annual drawings (cf. recent French and Belgian loans). ‡Last three figures omitted. A.—By Annual Drawings Beginning 1922. B.—By Annual Drawings Beginning Oct. 1, 1923. VY.—Various Years.

German Industrials

A third form of speculation now becoming popular is the purchase of shares in German industrial corporations. The February 21st issue of THE MAGAZINE OF WALL STREET gave a detailed account of the financial positions of five leading corporations and prices which prevailed at that time. It is interesting to note that since this analysis appeared the prices of these German industrial issues have, in practically every case, doubled.

Among the industrial bonds which are quoted on the various German exchanges at prices yielding from 4¾ to 6½%, there are many which should prove attractive. It is, however, very difficult to obtain them as they are very closely held, chiefly because of their excellent rating and their substantial profit possibilities. The bonds most actively traded in are the 50,000,000 mark issue of the *Friedrich Krupp Corporation.* Of this authorized issue 25,000,000 marks are outstanding; annual interest of 4% is payable January and July, and they are available in denominations of 500, 1,000, 2,000 and 5,000 marks. Also the 30,000,000-mark 4½% issue of the *Hoechst Dye Works* of June 14, 1919, and the 25,000,000-mark issue of the *Phoenix Mining Works.*

While these lines were being written, reports were received from Germany in regard to an attempt to overthrow the Ebert Government. Owing to the uncertainty of affairs and the recently begun Communist propaganda it would be advisable to consider conditions carefully before making purchases.

*The writer acknowledges his indebtedness for the information on *Muendelsicherheit* to Mr. M. Holz of Josephthal & Co.

Vauclain Favors Sales to Europe on Credit

Samuel M. Vauclain, President of the Baldwin Locomotive Works, Philadelphia, Who Has Been in the Employ of the Company for Forty Years, Discusses Prospects for Export and Domestic Trade

***Interviewed by* GORDON DORRANCE**

"THIS is a railway war. The battle of the Marne was won by the railways of France." The remark is credited to Marshal Joffre, who ought to know. Verdun's successful siege stands similarly. Early German victories all hung on cordons of railroad tracks, the perfect ramifications of their own and stolen lines merged in one centred web of steel.

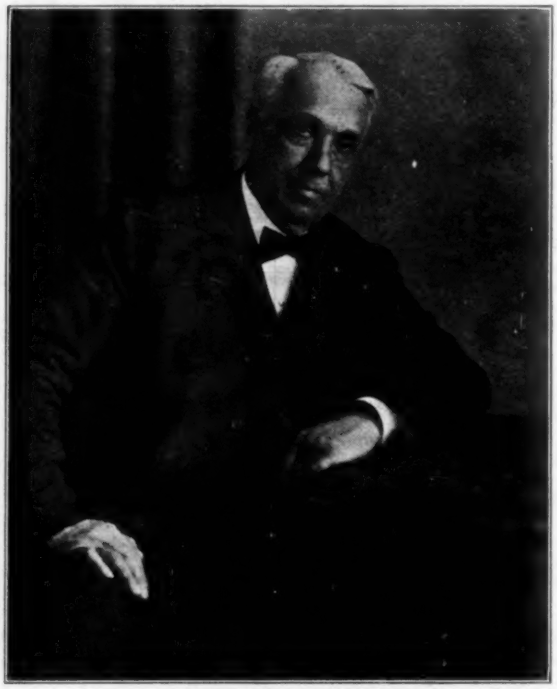
Which brings us to the Baldwin Locomotive Works, established some eighty-nine years ago in the good city of Philadelphia; and to their president, one Samuel M. Vauclain, champion long-time job holder and master locomotive builder. Mr. Vauclain has held two situations in forty-six years, and has never known the joy of being fired.

Aged sixteen, he took his first job with the Pennsylvania Railroad. It netted fifty cents each day, and no one says he didn't earn it. He began as apprentice machinist. He found his recreation in work, hard work. It was his teacher, with experience for the high school. He became a foreman, and shortly thought of college. He got himself admitted to some nearby institution—and changed his mind. Instead he made mechanical sketches by night, and flirted with practical education of many colors during the very few hours he did not sleep or sweat in the shops. I know he still enjoys designing, building locomotives, but now it is stolen fruit.

For a long time Samuel Vauclain has had a leading part on our industrial stage. He never became a "college man," but for about a year now has been the president of a world-known works, by virtue of which he is bound to get more notice than he probably likes. Mr. Vauclain, all told, has had twoscore years with the Baldwin corporation. He is an affable and unassuming gentleman, withal a craftsman of action. In his prime, he is vitally interested in *Growth*—of the United States, of Europe, of the Baldwin Locomotive Works, of himself. He has a gift of trenchant expression, and is old-fashioned enough to think and say that his United States is the best land on God's green earth. And a passing state of flux, unrest, relaxation, alleged "lying-down," cannot change his mind. He refuses to worry, persists in working, and were he to say right out in meeting what he thinks, it would surely be "Down with the pessimists!"

Achievements of the Eddystone Plant

The Eddystone plant of this great productive industry embraces something over 500 acres of Pennsylvania land, more than 75 of this now roofed. Locomotive No. 1 (an interesting, and safe-and-sane affair) was put together in this plant in the year of our Lord 1832. Locomotive No. 50,000 was erected in 1918, and they



SAMUEL M. VAUCLAIN

have certainly made a number since. During "the late unpleasantness" these works alone constructed and sent out into a needy world 5,551 of their excellent engines. And that is not all, not by a hot shot. Some very good gun mounts were fabricated, as well as a little total of 1,864,000 cartridge cases, 1,905,000 varied ammunition items, and something in excess of 6,565,000 shells. Likewise, nearly two-thirds of all rifles used by the American combat army must be accredited to our friends of Baldwin. *In toto,* aggregate value of war contracts executed and delivered ran up to $250,000,000, and they were all good goods.

The Baldwin Works is giving work, and plenty of it, to 10,000 satisfied and fairly treated men. Relations are good, as they ought to be, for this man *knows,* out of himself, that which is wanted, just what is due, and he is there to see that everybody gets it.

"Yes, indeed; I believe heartily in the Union—of the United States," says Mr. Vauclain with a twinkle in his eye. "And I am not in favor of meeting employees half-way, either," he adds; "in fact, I insist that they be met *the whole way.* Our corporation is ourselves, our employees, our public.

"The American worker right now wants no man's charity. He never did—unless knocked down and out, and trying to get up. He desires nothing, as long as he can work, but work! He is always ready to help himself in a way which is best for all. Our old employees know they are not going to be kicked out, and they are just as sure that the sick and disabled are going to have all the help that we can give them. Our employees are constantly buying our stock, and they are interested in Baldwin.

As he has put it very aptly, "I am not in favor of time clocks or stop watches in an establishment for workmen. It is not their duty to record their movements. Those in charge of men should be at their posts at the same time or slightly before their subordinates—example rather than time clocks makes men reliable. Old-age pensions, insurance policies, price-lists for legs or arms, fingers and toes, should be avoided. Men permanently injured should be assured employment at their full value before injury. Men should be encouraged to save, by payment of wages, all paternal measures avoided, all rules and regulations eliminated that deprive a man of self respect. Extend human sympathy to all.

"Labor can be relied upon to do its full share in the future as in the past, notwithstanding the theories advanced, and the unreasonable and unseasonable advice of self-appointed exponents. It makes me tired when people ask me about Labor! Labor is all right, and will prove it. Labor agitators now in their glory will fade away."

From practically nothing in 1913-14, on through swollen and super-busy war years down to 1919-20, Mr. Vauclain regards conditions and the working-out of things industrial as very satisfactory. Corporation earnings for 1919, after preferred dividends, amounted to nearly $21 a share of common, and consolidated balance sheets of the Baldwin Works and Standard Steel Works Company indicated at the time of their annual report an increase of about $1,500,000 in their security

values. Mr. Vauclain then said that "owing to the very greatly changed conditions of trade, both foreign and domestic, a vigorous and aggressive foreign sales organization has been established. As anticipated by our management, the curtailment of domestic business has continued and the foreign market has been the chief source of orders."

In a recent address Mr. Vauclain averred that "Business is desired and it is now at hand, not only for the 100,000,000 souls in America, but enough for another 100,000,000 if we had them. All you have to do is to take it, forget about the League of Nations, the railway bill, the next excess profits tax law, forget about the disturbed labor conditions, create a desire to work—and all will embrace it.

"Prevent your bankers' lending our national savings to other nations, and demand their use to enable you to produce the things for export needed by our friends abroad to bring their industries quickly into shape, things which they cannot pay for in cash but will gladly pay you for in time. A revival of business now depends upon whether we shall lend our money—or our articles of production—to our European friends. If the former, we are doomed to grief; if the latter, prosperity will be in our midst beyond our present facilities; our labor will be content; and the busybody will have lost his occupation.

"The trade of a world is ours! Do not depend alone upon trade with Europe. Do not glut your factories with it. I would not accept for cash in excess of 25 per cent of our capacity from Europe if it were offered us today."

Mr. Vauclain returned from the Continent on February 10, and incidentally further cross-countries work is already under way. As to conditions across, there is "Everything to encourage us and them. There is no 'lying-down' on the job, as some think and a few claim. They are getting quickly to their own feet, and they are going to stand on them. Astonishing progress is being registered along constructive lines in France, and Belgium quite possibly does as well.

"I myself am not favoring large loans to these European governments, but would much rather see our manufacturers and large producers lend their manufactured wares and raw materials as well—on decent credit terms. Yankee credits in the past have not invariably been a good advertisement. We must get the other fellow's viewpoint, and reckon honestly in terms of his necessity."

Directly upon his return Mr. Vauclain stated that France has scored already more progress in reconstruction and construction within the year than our own South in twenty years following '65. He claims that even agricultural conditions there are stupendously good, and that there is absolutely nothing for sensible people anywhere to get wrought up about. His plant has for present customers Great Britain, France, Belgium, Spain, Scandinavia and practically all Europe, but the former Central Powers and Russia.

I asked him if he would send his stock to Russia.

"Certainly," he replied, very emphatically, "our business is to sell to the world, and if a customer who needs our goods can pay for them, he gets them." And I think he intends to "sell" the world.

Prospects for 1920 are "Fine!" It should be a better year, far, than 1919. He is running 70-80% capacity now, but fresh domestic orders are constantly flowing in, and they in turn should be considerably augmented shortly, as all agree and hope. As for HCL and similarly ambitious projects, Mr. Vauclain advocates more common sense—with work.

Would Not Let Europe Starve

I asked him what he thought of shutting off our European exports, as it has been suggested. He replied, with heat, "They would starve! Don't think of it!"

Neither does he consider the strangulation of non-essential industries and purchases, as in war days. He thinks that the more temptations there are for Mr. Average Man to spend his cash, the more *work* will be done to pay the bills. Ergo, rising production; which is a unique view, and has pith. Purchases of furs and satins, not to say red-silk galluses, should naturally be kept within the income, but to him this increased buying, these strong incentives, the constant reaching out for better things—the so American a trait—go certainly with forging ahead and people's progress. Spending is a first-aid to business indeed, as new expenses must usually bow down to work.

This man, who has reached 62 and the active direction of a great American corporation, has much sense and few wrinkles. He takes his play in work, with further doses for dessert. Sometimes he is inactive, sleeping, for four hours at a time, but I do not see that it has hurt him. Right now advice to most of us is "Go to work; stop sitting down!"

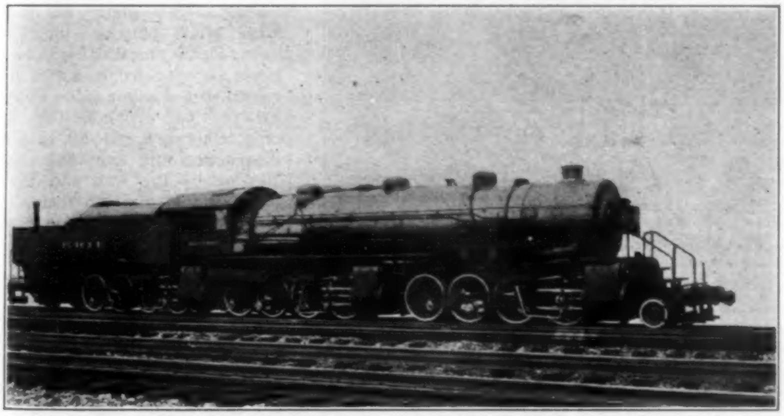
How Not to Succeed

He can tell young men how *not* to succeed, a palatable variation from great men's favorite prescriptions. He says, for this case, that if you will take all college and no work; aim at once at a dozen different things; do not sight long enough to hit any of them; take plenty of vacations and not too long a day; set sail as captain of a canal boat rather than as mess-boy of an ocean greyhound—you will be sure to reach a reasonable conclusion.

Where we may say au revoir, with thanks, to Mr. Samuel M. Vauclain, optimist, engine builder, reconstructionist, self-made success. I like to think of him as a typical American.

EDDYSTONE—THE LOCOMOTIVE CITY

A bird's-eye panorama of the extensive Baldwin Locomotive Works which covers more than 500 acres of Pennsylvania land



FEW ARE MADE LARGER

A giant of the "Baldwin brand" equipped with Schmidt superheater and having a tractive force of 160,000 pounds

Possible Credit Stringency Preventable by Thrift

Conditions Abroad and at Home Call for Exercise of Personal and National Economy

By **FREDERICK H. GILLETT, Speaker of the House of Representatives**

THESE are critical times for the whole world and self confident indeed must be the man who holds an important office yet does not feel oppressed by the tremendous responsibility upon him. A year ago we looked forward to resuming speedily the comfortable and progressive life which seemed lying plain before the country. Few reckoned upon the depth and breadth of the terrible convulsion which had shaken us, and no one I think appreciated the relaxation and the demoralization that would ensue when the patriotism which the war kindled and which inspired the country to endure without grumbling all kinds of privations lost its ardor with the return of peace. Now there has followed a restlessness and discontent which have seemed to invade every occupation and have severely impaired our efficiency and production.

This is especially true of Europe, where conditions are appalling. Over them all hangs the dread and possible pressure of hunger and want. In nearly all of them the financial condition, the soundness of which is a prerequisite for any permanent prosperity, seems hopeless. From her orderly and organizing spirit it was thought that Germany would revive most quickly from the exhaustion of the war, but today the German mark, which normally is worth 24 cents, is worth only about one cent. The Germans have a domestic debt of $6,000,000,000, and by the terms of the treaty they must pay the victors $5,000,000,000 in the next 18 months. At the same time the victors have taken away their colonies, their merchant marine and a considerable part of their railroad equipment. And yet to start once more the industry on which the great prosperity of the Germans was founded they must buy from the rest of the world quantities of raw materials in order even to begin production. How can they procure it and what security can they offer? Who will want to trust them with the mark worth only a cent? But if in some way this is not arranged Germany must relapse into hopelessness and penury. Austria's condition is even worse.

These things are not said by me to excite sympathy for our enemies. They have brought their woes on their own heads and their punishment cannot be heavier than they deserve. I am trying to point out the state of Europe as it affects us.

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SPEAKER FREDERICK H. GILLETT

Conditions in Foreign Countries

In France the franc which used to be worth 20 cents is now worth eight cents. She has suffered unutterably and the problems of peace will perhaps test her courage as much as those of war. Her national expenses and the burdens of debt are enormous and yet today more than a year after the war has ended she is paying her running expenses not by levies of taxes but largely by borrowing. Apparently the government does not dare to impose the necessary taxes and the people seem to hope that the indemnity to be paid by Germany will supply the deficiencies, a delusive hope, I fear, as it will be impossible to collect it from Germany.

In Italy conditions are no better and it seems to me that England is the only country in Europe whose fiscal system is not pointing to bankruptcy. The only means of salvation that I can see is to levy a substantial capital tax, which means confiscation of a good part of every man's property to the state. It is a fearful remedy, a last resort.

Before the war most of the nations of Europe were unable to produce their own food. They were workshops from the products of which they paid America for the great quantities of food stuffs on which they subsisted. How can they pay for this necessary subsistence now with their factory life disorganized and ruined? Germany used to import each year $350,000,000 more than she exported and could afford to do this by reason of her shipping and foreign investments to meet the adverse balance of trade, and stripped of these, how can she hope to cancel this adverse balance of trade? And France today is importing $300,000,000 more than she is exporting, and how can she meet this deficit, especially when one of the best customers for her wines has by constitutional amendment signed the pledge?

Stability of American Trade Balance

Concurrently we see the United States exporting $4,000,000,000 more than she imports. Is this marvelous trade balance in our favor or will it involve us in new obligations and dangers? We should not plume ourselves too much on this **large trade balance**, for the very fact that most of these exports go to Europe, which in normal times is our trade rival, proves that the condition is only temporary and due to the destruction and exhaustion of Europe by the war and that very expansion which such abnormal conditions excite has its dangers. How much firmer would be our status if we had developed some of this enormous export with South America!

In considering our economic policy we should bear in mind that we have issued $21,000,000,000 in bonds and $4,000,000,000 in treasury certificates. The interest on the debt is one billion dollars a year and it will be long before the governments to whom we loaned ten billion dollars will be able to pay us interest on those loans. The people out of a spirit of loyalty and patriotism have loaned these enormous sums to the government. They seriously affect our financial and economic status. They have resulted in an inflation that has upset normal values, enormously increased prices and greatly changed conditions.

Our national treasury is in a precarious condition. The huge debt, while temporary, is a menace to the country's financial health. We cannot safely issue

(Continued on page 828)

Decline in Bond Prices Checked

High Grade Rail Bonds Have Shown a Slight Advancing Tendency During the Past Month —Other Classes of Bonds Have Followed Suit—Probability That Yields Are Now Near the Highest

By G. C. SELDEN

THE decline in bond prices, shown on graph herewith in the form of a rise in average yields to maturity, was quite sharp during the first six weeks of 1920. The movement was not wide in extent of price changes, but it came quickly compared with the slow changes usually seen in securities of this class. It was chiefly due to scarcity of credit, though the uncertainties of railroad legislation at that time had some effect also.

But the decline has now been checked and a slight rally has occurred. The fact that the rally has been so small shows, in view of the passage of the railroad law, that the real trouble was the limitations of credit and capital. That trouble is likely to stay with us, to some extent at any rate, through most of 1920.

It is true that some decrease in commercial loans has at last put in an appearance, after a large and steady increase for months previous. This is partly an indirect result of the release of funds by the March land settlements in the West, and partly due to decreases in the prices of some commodities.

I fear, however, that we cannot look for any long continuance of this liquidating tendency in commercial loans. There are many indications that the average profits of business men throughout the United States are beginning to shrink. The shrinkage is not yet important—not enough to create the necessity of any considerable borrowing on that account—but it seems to me that the tendency will continue. Wages have been boosted very sharply and further increases are still being granted here and there. The selling prices of merchants' goods and manufacturers' products cannot be advanced much further. On the contrary they are more likely to show some declines before long, and wages will not fall with them.

All this is a familiar story. In any price movement, whether up or down, consumption goods go first, materials and supplies follow, then wages, with rents bringing up the rear. The result is that when a downward tendency in prices manifests itself, the business man or manufacturer finds that he has to sell cheaper, while his costs do not decline but may even rise a little further. If he pays rent, that is likely to rise sharply just when his profits are shrinking, so that rent cuts off another slice of profits.

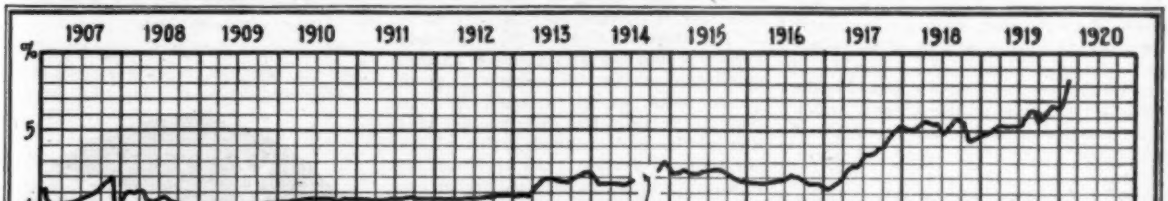
If profits do fall, it will naturally be hard for business men to cut down their loans at their banks. Commercial liquidation is necessarily a slow process. Investment liquidation on the Stock Exchange may take but a few days, but when money is tied up in business enterprises it takes time to release it. Finished goods may not be instantly salable. Materials on hand have to be worked up into goods before they can be realized on. Miscellaneous supplies are often of a character to last for a year or so. The process cannot be hurried without disastrous results.

Bradstreet's index of commodity prices fell a trifle during February and I believe it is likely to fall a little more in March. This, of course, may be a false start, for there is still a scarcity of many kinds of consumption goods; but regardless of immediate minor changes, it is highly probable that commodity prices will before long start on a gradual downward trend.

That sets in motion a series of consequences that have the net result of smaller business profits, and it has always been true in the past that under such conditions business loans have refused to come down materially for six months or more.

The bearing of this on bond prices, or on the price of corporation credit, lies in its effect on the money market. The Federal Reserve System assures us against a money panic, but it does not and nothing could assure us against commercial liquidation. Shrinkage of profits would necessarily mean firm money for the next six months, with perhaps intermittent periods of comparative ease.

My view is that we can hardly expect the real rise in bonds to begin until after a period of business liquidation has released funds from commercial loans. On the other hand, since no panic is to be expected, there is no apparent reason why bonds should decline much further.



The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, prices rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yields) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds.

What Thinking Men Are Saying

Prominent Financiers as Well as Secretary of the Treasury Condemn Excess Profits Taxation —Credit Needs of Railroads Emphasized—General du Pont Warns of Declining Immigration

AMERICA'S TAX BURDEN PREVENTS AID TO EUROPEAN COUNTRIES

Otto H. Kahn Explains This Country's Inability to Handle Loans to Europe

"The United States by its financial and political constitution is actually incapable of helping in the industrial affairs and in the national and international loans of Europe. It is not a question of sentiment; it is a question of arithmetic.

"In the United States the principal tax which weighs on capital is the income tax, which reaches 76 per cent. of the income of taxpayers. But this terrible and exhorbitant tax is considerably lightened by the constitutional arrangement which stipulates that all municipal bonds, Federal bonds and farm loan bonds are exempt from all taxation except a succession that would bring in only 3 per cent. I prefer to buy New York City bonds, exempt from income tax, which bring me in 5 per cent. clear.

"I have drawn up a scale of incomes which might interest American capitalists when they are taxable and have averaged at these figures: If the American millionaire is to buy any foreign investment it must bring in at least 18 per cent. If it does not, investment in American municipal loans at 4½. per cent is more profitable.

"This is the truth of the situation: As long as the United States has its present income tax law, and to change it would be to change the Constitution, Europe can expect little or nothing from private American capital. And I will add that there is in America only one reservoir from which Europe can draw to relieve her distress. That is the reservoir of private fortunes. On account of the financial structure in the United States, this reservoir is and will remain closed to Europe."

EXCESS PROFITS TAX SHOULD BE MODIFIED OR REPEALED

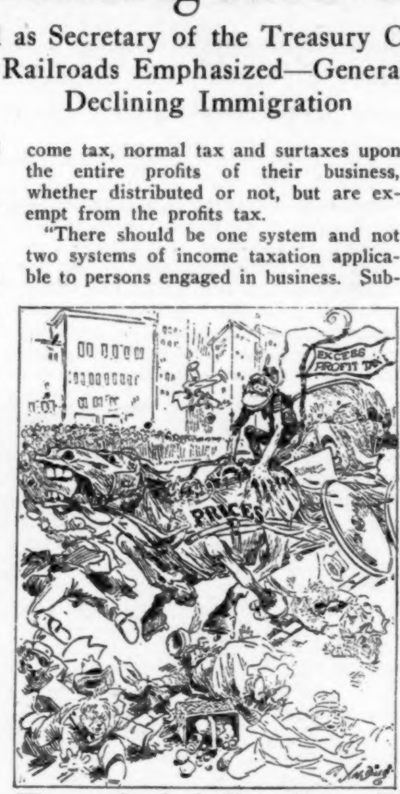
Secretary of the Treasury Houston Would Seize Opportunity to Revamp Measure

"Provision for the simplification and fundamental modification or repeal of the excess profits tax at the earliest possible future date should, in my opinion, be made.

"The outstanding feature of the present system of income taxation in its most important application to business income is the fact that we employ for this purpose two systems of taxation which are incommensurate and irreconcilable. Corporations pay the profits tax and normal income tax, while their stockholders pay surtaxes on dividends or distributed profits, but nothing in respect of the undistributed corporate profits.

"On the other hand, sole proprietors and the members of partnerships pay full income tax, normal tax and surtaxes upon the entire profits of their business, whether distributed or not, but are exempt from the profits tax.

"There should be one system and not two systems of income taxation applicable to persons engaged in business. Sub-



Who ever thought the blame thing would act like that?
—Copyright N. Y. Tribune, Inc.

stantial uniformity of treatment, or, at least, a nearer approach to uniformity of treatment, could be achieved in a variety of ways, the details of which it is not necessary to discuss here. . . .

"The essential thing is to simplify the excess profits tax and grasp a uniquely opportune moment to remedy a deeply rooted defect in our system of income taxation by providing for the just taxation of the undistributed profits of corporations at a time when such taxation represents simplification and relief, not further complexity and heavier burdens."

EXCESS PROFITS TAX HAS OUTLIVED ITS USEFULNESS

President Richard S. Hawes, of American Bankers' Assn., Condemns It as an "Obnoxious Burden"

"The excess profit tax has outlived its usefulness and now stands as a detriment to sane industrial development in the reconstructive period. Although the excess profit tax is in the form of a direct tax on profits, it is in effect a most unsatisfactory commodity tax. The manufacturer or merchant subject to the tax is required to estimate in advance the amount he is compelled to add to the selling price of the commodity and in turn to pass this on to the ultimate consumer in order to protect himself against the heavy imposition. Consequently, a business concern is naturally more apt to over estimate than under estimate its liabilities. Thus the uncertainty of the tax has made it an obnoxious burden to both the one taxed and the ultimate consumer."

REVISION IN TAX LAWS ONLY HOPE OF LOWERING LIVING COSTS

Frederick Levy, President of Clothiers Association, Sees No Other Solution of Problem

"If the Government wants to remedy present price conditions, including that of clothes, there are two things to be done: First let Congress eliminate protective profits which now are pyramided upon every item of raw materials in clothing manufacture and then change the excess profit tax law so that taxation is on the basis of gross sales in retail business.

"Now retailers make provision for their income taxes in their profit budget, so that this also comes upon the ultimate consumer's burden.

"Unscientific taxation puts the retail merchant as well as the manufacturer to extraordinary expense and he must push up his margin to meet it. If the Government would change its policies in these two matters all prices would tumble."

NEED OF BUDGET EXEMPLIFIED BY GOVERNMENT'S WAR RECORD

President A. E. Marling, N. Y. Chamber of Commerce, Deplores Wasteful Methods

"Had there existed at Washington during the last two years a central supervisory system performing the planning

Still up the line—somewhere!
—Williams in Indianapolis News.

and checking functions, there is no doubt but that the taxpayers of the country would have been saved millions and even billions of dollars. The real national need relative to Federal appropriations is

to spend money where it is actually required and not where some one desires it to be spent; it is national interest above mere local interest.

"The United States Government, employing 1,000,000 people and spending between $4,000,000,000 and $5,000,000,000 annually, is one of the largest business concerns in the world, certainly the largest without a business or financial manager. Despite the fact that both political parties have inserted planks in their platforms favoring a national budget, there is no individual or committee or bureau at Washington to correlate the governmental activities or governmental expenditures. The results have been waste, extravagance and much 'pork.'"

PLAN FOR GRADUAL REDUCTION IN BANKS' SPECULATIVE CREDITS

Bankers Statistics Corporation Would Give Borrowers Twenty Months to Liquidate Credits

Through the Bankers Statistics Corporation, Messrs. A. G. Wheeler and D. F. Jordan have propounded a plan for the reduction of the large speculative bank credits now outstanding as the best means of effecting deflation. In part, the authors of the plan say:

"The credit now outstanding must be reduced in the manner which is least harmful both to the borrowers and to business conditions. Borrowers should be given to understand that liquidation of their credits must be accomplished within a reasonable length of time. This liquidation period, it is suggested, should be twenty months, during each of which the borrowers will be expected to repay at least 5 per cent. on account of the principal. In the event that this payment is not made in any month a penalty of the addition of one-fourth of 1 per cent. to the interest rate on the remaining balance will be imposed for each such failure.

"The borrower who failed to liquidate any part of his loan during the prescribed twenty months would during the final month be compelled to pay at the rate of 10¾ per cent. At the end of the twenty

Uncle Sam—Separate checks, please!
—*Thomas in Detroit News.*

months' period all loans chiefly speculative or purely speculative will have been reduced to an amount equivalent to the maximum percentage allowed for such commitments.

"In this manner the excessive speculative credits will be gradually reduced and eventually eliminated over a period of nearly two years. With this plan in operation the newcomer in the present credit market will receive full consideration if he seeks loans meant to be purely productive or chiefly productive. If he desires credit for purposes either chiefly or purely speculative he cannot receive immediate accommodation, but may eventually be accommodated when the bank has less than the maximum allocated to those purposes."

PRICES TO REMAIN HIGH FOR YEARS TO COME

Royal Meeker, of Labor Statistics Bureau, Calls Currency Deflation Only Remedy

"I see no prospect of any considerable fall in prices for several years to come. Undoubtedly profiteering of a most reprehensible sort has existed and does exist today, but the profiteering is a result of ever increasing prices and not the cause. If all the profiteers in the world could be apprehended and thrown into jail or lined up and shot it would have no appreciable influence on prices.

The man who hitches himself up with the calf!
—*Gale in Los Angeles Times.*

"If prices are to be lowered the causes operating to boost prices must be attacked. So long as people have twice as many dollars with which to buy a smaller number of commodities, prices are bound to remain high.

"The only way prices can be brought down before next year's crops begin to find their way to the market is through deflation of currency. Not until Europe has rehabilitated its industries may we expect to have our markets flooded with European goods. That puts off the tumble in prices several years."

PRODUCTION MUST BE EXPANDED TO MEET INCREASING NEEDS

President Alexander, of National Bank of Commerce, Would Retrench Only in Luxuries

"So great are the shortages of virtually all lines that only full productivity can meet existing demands. If there is retrenchment I believe it will fall chiefly, as I have indicated, upon such goods as people in general can easily do without —that is, specialties, luxuries and products peculiar to the war period.

"It is true that there is not enough credit available to finance necessities and other substantial goods in the volumes needed and at the same time provide for the unlimited production of non-essentials and for extensive speculation and extravagance. But there is enough credit, if properly conserved, to finance the essential requirements of our commercial and industrial life, and it is on that rock that our business structure must be based."

DECLINE IN IMMIGRATION THREATENS AMERICAN INDUSTRIES

General Coleman du Pont Analyzes Serious Effects of Declining Man-Power

"Manufacturers of staple goods find orders coming in for better class of goods. The orders for the cheaper goods begin falling off and the orders for the higher priced goods piling up. They transfer production from the staple line to the higher priced lines. That is one effect of the dwindling of immigration.

"But the most far reaching result of the lack of immigration is to be found among the basic industries of the country that employ large numbers of foreign born workmen. Many of these industries have had to go upon a new basis in employing men. One hundred and ten are required to do the work that 90 or 100 men used to do before the war, to such an extent has the productive effort of workmen fallen off.

"The railroads are demonstrating how acute the shortage of labor is. Railway cars, it is reported, are lying on sidings for lack of repairs, or rather for lack of men to repair them.

"America has reached a stage when it needs to give increasing attention to immigration. Other countries are actually bidding for manpower, but here in this country we have people who are urging that immigration be shut off as a protection against ultra-radicalism. The fact that there is very little ultra-radicalism among the foreign born is ignored, as is likewise the fact that native born Americans are generally the leaders of the revolutionary activities. And we are unmindful also of the fact that the foreign born have contributed not only brawn but brains, that the names of foreign born persons are linked with every phase of our national development from the days when the Republic was founded through to the present time.

"What we need is selective immigration—a policy that will encourage the kind of immigration best adapted to the needs of this country and most easily assimilated.

"We need also a nationwide plan for receiving, distributing and assimilating immigration. There should be a survey of the manpower needs of industry, the need in agriculture and in the undeveloped sections of the country where there is plenty of land to be cultivated. Our policy on immigration should be based on the production needs and upon the desirability of this new citizenship which has been our great national asset since the founding of the Republic."

EFFICIENT RAIL SERVICE CAN ONLY BE ATTAINED BY DEGREES

Huge Task of Re-equipment Must Be Attended to First

Speaking before the City Club, Robert S. Binkerd, assistant to the Chairman of the Railway Executive Advisory Committee, said:

"On March 1 the railroad executives of the country undertook one of the big tasks of national reconstruction. Hundreds of thousands of rails and ballast and millions of new ties which ought to be in the roadbeds of the railroads are not there. Cars and locomotives have been used to the utmost and need thorough repair. The supply of new cars and locomotives has been far below normal and is considerably behind the needs of the country. There has been no net addition to passenger cars, Pullman cars, nor refrigerator cars, for practically three years, during which time passenger traffic has increased over 10 per cent. and the perishable crops requiring refrigerator transportation as much or more.

"The problem of making good these deficiencies, as well as the present deficiency in net operating income, would have to be met under either Government or private operation. What we hope will distinguish private operation will be in the use made of the existing facilities.

"Time will be required for adjustment. The morale of individual companies will have to be recreated. The shortage of facilities cannot be made good for a long time. It is only by a slight superiority in operation by making cars and locomotives move a little bit more each day that the traffic of the country can be moved."

RAILROAD EXECUTIVES SHOULD OWN MORE RAILROAD STOCK

W. J. Wollman & Co. Believes Securities Greater Incentive Than Salaries

"The heads of great railroad systems are chiefly salaried executives, with relatively small holdings of the stocks of their railroads. They have no share in profits; they are not burdened by losses. Aside from the personal pride which men of character and proven ability take in the performance of a task, the incentive to superlative effort is limited.

"It is possible, of course, to point to certain great systems as examples of efficiency attained under salaried executives. But we do not try to measure what might have been accomplished if these same men had had a keener sense of ownership through larger holdings of stock. It would be a great gain for efficiency if all the men identified with the important details of railroad management would show their faith in their enterprise by becoming more heavily interested in the securities of their roads. It would increase their zeal and steady their sense of responsibility."

LACK OF RAILROAD EQUIPMENT JEOPARDIZES PROSPERITY

Francis H. Sisson Urges Recognition of Credit Needs and Higher Rates

"The inadequacy of the 300 million dollar appropriation provided in the Transportation Act for the needs of the carriers at the present time and the urgent necessity for allowing rates which will attract new capital and provide proper transportation facilities are made evident by even a very cursory consideration of the condition and equipment of the railroads today. It has been estimated, for instance, that the railroads need 100,000 freight cars, 4,000 passenger cars, and approximately 2,000 locomotives—not to mention improvements in roadbeds or additional terminal facilities. The average cost of freight cars today, based upon equipment ordered by the Railroad Administration during Federal control, is $3,000; all-steel Pullman coaches are estimated to cost between $45,000 and $50,000, while the price of locomotives ranges from $50,000 to $90,000 each.

THE PROVERBIAL RICH UNCLE!
—Evans in Baltimore American.

"It is absolutely imperative that the rolling stock of the railroads be materially improved immediately to care for the business needs of the country, which have vastly expanded during the last five years. The lack of adequate transportation facilities cannot continue longer except at the serious jeopardy of our national prosperity."

ACTION NECESSARY TO PROTECT COUNTRY'S GOLD PRODUCTION

Congressman L. T. McFadden Suggests Taxing Gold Used for Industrial Purposes

"The gold production of the United States declined from $101,000,000 in 1915 to $58,000,000 in 1919, a loss of 42 per cent. in the last four years. It is evident that no less than 42 per cent. of the capital invested in the gold mining industry has already been rendered unremunerative by the forced closing down of properties. These properties suffer great deterioration by the forced closing down and, therefore, other losses are necessarily sustained, and increased costs involved in reopening them. It is evident that the longer this condition is allowed to exist the greater will be the reduction in the gold output for this year, which means a heavier drain upon the monetary gold reserve, because manufacturers are consuming as much or even more than they did last year. The longer this situation is allowed to continue the more difficult and expensive will it be to reclaim gold properties and regain the normal gold production of the United States.

"In view of the need for protecting the monetary gold reserve from further excessive depletion by consumption in manufactures and the arts, and the present emergency with which the gold mining industry is confronted, it is expected that the consideration of this bill will be expedited."

(The bill introduced by Congressman McFadden provides that on and after May 1, 1920, an excise of 50 cents a pennyweight ($10 an ounce) be collected on the sale of all articles containing gold or gold used for other than monetary purposes, thereby creating a fund from which the gold producer is to receive $10 for every newly produced ounce. Since this transaction is confined to the production and sale of gold as a commodity only, and without reference to its monetary use, it cannot in any way influence the monetary status of the metal.)

CONSOLIDATION IN EUROPE MARKS ADVENT OF A NEW ORDER

Guaranty Trust Predicts Increasing Unity in Continental Relations

"The end of an epoch is rapidly approaching in continental affairs. In spite of surface conditions, it is now becoming possible to think more definitely of Europe as a whole rather than as several groups of sharply conflicting interests. Even the Allied countries are seeing more clearly the necessity of a solvent Germany as part of their own economic machine, likewise the need of closer union of action with countries that remained neutral during the war.

"The continental system will be controlled and unified by the very community of interest bred from past community of disaster. It will remain, of course, for many years a debtor to both Great Britain and the United States. And herein lies a very important world fact. Great Britain, as debtor to the United States and creditor of continental Europe, will be the essential link between the American and the European systems. In other words, she will be the financial moderator of a distinctly new order."

CREDITS TO GERMANY WOULD STABILIZE OUR EXPORT MARKET

Representative Thomas F. Smith (N. Y.) Advises Immediate Action

"Germany is in vital and immediate need of cotton, wheat, condensed milk, cattle feed, packing-house products, milch cows, horses, cattle and minerals. It is on the other hand vital to the United States to maintain an export market for these articles. Unless the farmer and producer is assured of an outlet for surplus, production in this country is bound to decrease with the result that prices will be further enhanced.

"The truth is that the export business of the United States has diminished 70 per cent. in the last three months. In business and financial circles it is strongly felt that unless some measure is adopted whereby we can trade with Germany, our export trade will soon become stagnant with consequent disturbance of industry."

St. Paul's Bonds Better Than Its Stocks

If Preferred Were on a Dividend Basis, It Would Not Yield So Much At Market As Some of the Company's Mortgage Securities

By **CHARLES REMINGTON**

"WILL St. Paul prove another New Haven?" was the question asked of me the other day by an investment broker who has handled many railroad underwritings.

The question was not well put, because the two situations are in no way comparable, but the same doubt has been conveyed in similar questions from several sources.

One is confronted at the outset with a minimum of embarrassment in discussing the question, for the stocks have been used as footballs of speculation for many years. Few railroad stocks have had swings so wide and frequent, and a study of the dividend policy in relationship to earnings indicates that these movements have not taken the insiders wholly by surprise or caused them ruinous losses.

TABLE I.—ST. PAUL'S OPERATING RESULTS.

Year	Total Revenue	Operating Income
1917	$113,739,202	$22,026,026
1918	134,772,945	4,727,207
1919	150,370,394	5,362,271

The disparity between earnings and dividends in 1912 is more apparent than real, and has been explained as the result of a special write-off out of income, but I think the prudent investor should have been placed on his guard in 1915, when the company paid 5% on the common stock, and reported earnings of 3.28%. The low price of the stock that year—77¾—was too high, based on the company's own showing.

In 1917, Chicago, Milwaukee & St. Paul, encumbered with a new and unprofitable extension and a partly finished scheme of electrification, confronted with nearly $200,000,000 comparatively short maturities—a year in which it earned its bond interest only 1.27 times—paid 7% on the preferred stock, and 4½% on the common, leaving a deficit of nearly $9,000,000.

I am informed that during the period of Federal control, the directors were dissuaded from restoring the dividend on the preferred only by a threat of outside pressure, the source of which I am not at liberty to name.

Notwithstanding this policy, I am loath to accept the banker's comparison.

Ever since St. Paul began to build its Puget Sound extension, there have been questions and rumors from which the company was formerly free. From the beginning, railroad men have had their doubts, and these have strengthened rather than weakened as time has passed. It has even been pointed out that St. Paul could have forced trackage rights over Northern Pacific, instead of paralleling that line for hundreds of miles through poor country, just as Harriman forced Northern Pacific to give him trackage rights from Portland into Seattle.

Beginning of Weakness

The building of the Puget Sound extension was the beginning, but the situation was not improved by the scheme of electrification. Having started such a plan, the management doubtless feels the necessity of attempting to justify the investment by data of operating savings, but the investigations of independent engineers do not bear out the claims.

Considered solely from an operating point of view, there is a saving in electricity over coal, but there must be a given density of traffic in order to provide sufficient units of saving to justify the cost of installation and pay interest thereon. This density, St. Paul has never reached.

During Federal control, one heard whispers that St. Paul was being deprived of its rightful and natural traffic. A complaint, I believe, was actually lodged against Mr. Aishton, regional director and former president of Chicago & Northwestern. Whether a complaint was really made against Mr. Holden, regional director and former president of Chicago, Burlington & Quincy, I cannot say, but I do know there were many informal suggestions to the effect that St. Paul's traffic was going to Northern Pacific and Great Northern.

TABLE II.—ST. PAUL'S CLOSE MATURITIES.

Bond	Maturity	Amount
Dubuque Div	July 1, 1920	$4,123,000
Wisconsin Valley	July 1, 1920	1,430,000
Chicago & P W Div	Jan. 1, 1921	25,334,000
Wisconsin & Minn	July 1, 1921	4,755,000
Chi. & Lake Super	July 1, 1921	1,360,000
Tacoma Eastern	Jan. 1, 1923	993,000
Fargo & Southern	Jan. 1, 1924	1,248,000
European Loan	June 1, 1925	13,070,496
Gold four	June 1, 1925	35,100,155
Chi. & Miss. River	July 1, 1926	3,083,000
Convertible Gold	June 1, 1932	40,930,500
Bellingham & Nor	Dec. 1, 1932	515,000
25 Year Gold	July 1, 1934	32,256,000
Milwaukee & Nor 1st	June 1, 1934	2,117,000
Do Cons	June 1, 1934	5,072,000

Reference to Table No. I will show that St. Paul's gross increased from $113,739,202 in 1917, to $150,370,394 in 1919, while operating income (before hire of equipment) decreased in the same period from $22,026,026 to $5,362,271. On the face of these figures, they seem to show that St. Paul received its fair share of business and really suffered from an inordinately high operating ratio, but such a conclusion cannot be safely accepted.

I am not sure that St. Paul received less than its due, but I am quite sure that the foregoing showing could have been made by arbitrary routing had the purpose existed with those controlling direction of traffic. This could have been done by diverting high-tariff freight and overloading the road with low-tariff freight.

The end of Government compensation is so near that it is not worth while to consider its application to the securities. Under actual operations, St. Paul would have earned, with other income estimated, about 25% of its charges in 1918, and a little more than 20% in 1919.

Based on freight revenues for 1919, a 16% increase would raise St. Paul's gross to a figure that, with operating expenses subject to no advance, would show about 4% for the preferred stock. This, however, takes no account of increased charges, accruing through the issuance of $24,000,000 national equipment trusts and other loans. The company will receive allowances in addition to its contract rental for these investments from the Railroad Administration up to September 1, but thereafter it must earn interest on these additions and betterments.

Must Recover Traffic

In other words, if 1919 operations be accepted as a basis of future possibilities and no recovery of traffic be considered, St. Paul cannot live on a 16% increase in freight rates—an increase that the Commerce Commission has informally computed for St. Paul's region.

The company had outstanding on December 31, 1918, bonds to the amount of $381,961,255, maturing in from one to 94 years. Of this sum (Table II), $198,181,800 matures from 1949 to 2014, and $183,779,445 in from one to fourteen years. In the present state of credit and the high cost of money, St. Paul's close maturities form one of the chief problems in railroad finance.

I have selected four of the most active of St. Paul's short maturities and computed the yields (Table III) at the low prices of 1920. The Chicago & Pacific Western division fives, of which $25,334,000 is outstanding, are secured by a first and closed mortgage on 1,115 miles of road, part of which is double tracked and all of which is an essential and valuable part of the system. The mortgage is at the rate of $22,726 a mile. The bonds have only nine months to run and can almost be classed with bank paper.

TABLE III.—YIELDS ON ST. PAUL'S BONDS.

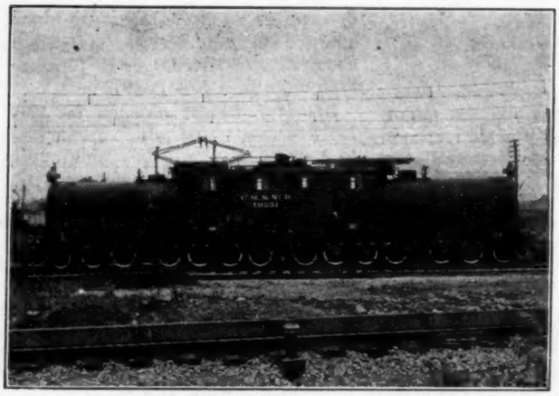
Bond	Term	Low Price of 1920	Yield
Chicago & P W Div 5s.	9 mos	96	11.35%
Gold Fours	5 yrs	70	12.90%
Convertible 4½s	12 yrs	66%	9.10%
Debenture Fours	14 yrs	55	10.05%

Nevertheless, at 96—the low price of 1920—the yield is about 11.35%.

The gold fours of 1925, of which $35,100,000 is outstanding, are a direct obligation of the company and are secured by pledge of an equal amount of Chicago, Milwaukee & St. Paul European loan fours of 1925. The pledged bonds were originally debentures, but at the time the general and refunding mortgage was created provision was made to extend this security to the debentures equally with all bonds issued under the mortgage. At

Over the Great Continental Divide

Through the Rocky and Cascade mountains for four hundred and forty miles, the Chicago, Milwaukee & St. Paul Railway has built its new extension—a model electrified railway.



A GIANT ELECTRIC LOCOMOTIVE

Equipped with the new regenerative braking system for producing electrical energy as the train coasts down grades and utilizing it for conserving power on up grades, this is the last word in smokeless and fuelless locomotives

THE BRIDGE OVER HANGMANS CREEK

In the construction of this new line, many engineering problems were encountered to be solved in as many interesting ways, and this three thousand foot steel bridge near Spokane, Washington, is one of them

A WHEAT FIELD ON THE GREAT PLAINS

Tempered by the warm, dry "Chinook" wind with sufficient rainfall for good grazing, this region produces good crops under both the "dry" and irrigation systems of farming. Hay and forage lead, but the acreage of wheat is well over 350,000, producing more than 10,764,000 bushels a year

THE EAGLE NEST TUNNEL

THROUGH MONTANA CANYON

In the long stretch of road west of the main range of the Rockies, the St. Paul runs through the Bitter Roots region, first made known by the explorations of Lewis and Clark in 1805. This tunnel through a mountain is one of the picturesque phases of the construction of this railway through vast wheat areas and fertile prairies, on past the valley farms and towering forests of the Idaho-Rockies, and the novel "shadowy" St. Joe country, to the northern gateway of the Pacific

70—the low price of this year—the return on the investment would be about 12.20%.

The convertible gold 4½s of 1932, of which $49,980,800 is outstanding, were originally debentures like the preceding issue, but were brought under the general and refunding mortgage. At 66¾—the low price of 1920—the yield is 9.10%.

The debenture gold fours of 1934, of which $33,286,000 is outstanding, were issued under a trust that is now closed and have since been brought under the security of the general and refunding mortgage. They have sold this year as low as 55, at which they yielded 10.05%.

The general and refunding mortgage is the real security for the last three issues described, and under this indenture $72,219,800 4½% and 5% bonds are directly outstanding. In addition, original debentures to the amount of $131,545,000 now enjoy equal security under this mortgage, which covers, therefore, about $204,000,000 bonds. They are subject to about $179,000,000 prior liens.

All bonds covered directly or indirectly by the moragage are a first lien on 718 miles, a second lien on 6,522 miles, a third lien on 2,507 miles, a lien on 110 miles of road jointly owned, secured by 406 miles of trackage rights, terminal properties, equipment, etc., all subect to prior liens unless otherwise specified. The bonds are outstanding at the rate of $20,906 a mile, and are subect to prior liens at the rate of $18,859 a mile, or a total of $39,303 a mile.

Wide Market for Bonds

During Federal control, the Legislature of this State passed an amendment to the bank act providing that the bonds of railroads should suffer no prejudice in their legal feature by reason of a suspension of dividends growing out of Government operation. This amendment was passed largely in the interest of St. Paul, so that the company's bonds enjoy the highest and broadest market that legislation can impart to them.

I have been unable to convince myself that a railroad has the best of credit when four of its bond issues, secured by mortgage and legal for the investment of savings banks and insurance companies in New York State, sell at prices to net from 9.10% to 12.20%.

Traveling west on St. Paul, there is no need to examine its territory until one reaches the Puget Sound extension, for that is where the weakness begins. This extension traverses a country poor and thin in soil with a frequency of bad crop years. It is sparse in population and in agricultural possibilities. Food products, which furnish the most dependable traffic, cannot be counted on annually with the highest degree of assurance. Washington, Idaho and Montana cannot be compared with Oregon, and especially with California, where irrigation offers an insurance against crop failure. Moreover, the crops of the north are not as profitable traffic as those of the Central Pacific region.

St. Paul will probably get its share of Alaskan and Asiatic business entering and leaving Seattle. It will get wheat when wheat is reaped, copper when copper is mined, lumber when lumber is cut, but these industries along the western lines of St. Paul have their ups and downs. Seattle is a great and growing port, but it has no such back country as San Francisco or even Los Angeles. Except for the coast, the region along St. Paul's western lines will be slow of growth and is limited in its possibilities.

One can get a great variety of opinion from railroad men on the outlook for the territory wherein Great Northern, Northern Pacific and St. Paul compete for traffic, but the consensus of opinion among those who might be deemed to occupy a neutral position is that traffic for a good many years will be too thin to support dividends on the stocks of the three properties. St. Paul may make serious inroads on the business of Great Northern and Northern Pacific, but it is difficult to escape the conjecture that this company, by building its Puget Sound extension, weakened the securities of all Pacific Northwest railroads for nearly a generation.

The pamphlet report of St. Paul for the year ended December 31, 1918, contained the following paragraph:

"If the amount due from the Railroad Administration to the Company, $21,671,771.45, is not materially changed by the adjustments which may be made, there will remain a balance of approximately $4,900,000, which, when received, will be available for working capital, surplus and dividends; but until these adustments are made it will not be proper for the Board under the provisions of the Articles of Association of the Company to take action respecting the disposition of whatever balance may remain."

This paragraph, while saying very little, at least implies that dividends are not entirely out of the question. But the sale of stock by leading interests has registered a silent opinion that neither written nor spoken expressions can erase. Some reports on St. Paul's oil prospects are rather too ebullient. If these prospects are worth a dollar a share on the common, Southern Pacific's petroleum outlook ought to be worth $100.

I would not be surprised to see St. Paul declare another quarterly dividend or two on the preferred, but even on the assumption that St. Paul preferred was firmly re-established on a 7% basis, the stock at various times this year would have shown an assumed yield less than the actual yield on some of the debenture (now mortgagee) bonds, and the yield on one of the bonds could have been counted on with reasonable assurance for fourteen years. Under these conditions, why buy or continue to hold the preferred stock?

Even on the assumption that St. Paul preferred was firmly re-established on a 7% basis, the stock at various times this year would have shown an assumed yield less than the actual yield on some of the debenture (now mortgagee) bonds, and the yield on one of the bonds could have been counted on with reasonable assurance for fourteen years. Under these conditions why buy or continue to hold the preferred stocks?—Vol. 25. P. 415.

VALUE OF FARM CROPS.

1917 - 1918 - 1919
COMPARED WITH PRE-WAR VALUES

Every section of the country showed in each of the three years (1917, 1918 and 1919) a marked increase over pre-war values. It seems evident that throughout the United States many farmers must have made incomes during each of the past three years higher than the gross value of their products before the war.

It seems probable that in 1920 there will be some recession from these figures. Under the stimulus of war demand, land was crowded for production and unusual emphasis was given to raising wheat. This year there will likely be a return to a more normal rotation of crops, probably entailing a lower wheat production. But, barring exceptional weather conditions, it seems reasonable to expect that in 1920 the farmers, still under the stimulus of probable high prices, will attain at least a fairly high level of production.—(Chart and comment by Charles Coolidge Parlin of the Curtis Publishing Company.)

U. S. Buying Should Advance Liberty Bonds

Operation of Bond Purchase Fund and Cumulative Sinking Fund Should Soon Be Reflected in Prices

By **WILLIAM T. CONNORS**

ALTHOUGH a buyer of Liberty Bonds is usually an investor and chiefly interested in net return on the investment, he should not lose sight of the fact that an unexpected sale forced by changed circumstances may affect the net return in a very unexpected manner. This has been borne in rather forcibly on original subscribers to Government issues who afterward sold their holdings from one cause or another at prevailing discounts. A subscriber to Fourth 4¼s who sold his bonds on April 15, 1920, at 90, would not only have lost the interest received, 4¼% for 18 months, amounting to about 6⅜%, but 3⅝ points in addition.

Reversing the situation, a buyer of the same issue at 90 on April 15, 1920, selling his bonds at par 18 months later, would have a net return of 11.39%. This is not to be construed as a prediction that this issue will sell at par on October 15, 1921, but, a given set of conditions having depressed the bonds ten points, it is clear that the reverse of these conditions would advance the bonds equally.

Aside from a general improvement in the money market, the two special factors that seem most likely to advance United States bonds are Government buying in fulfilment of the bond purchase and sinking fund provisions and investment buying by the public.

As long as the Government was borrowing with the aid of patriotism, it may be assumed that its securities were being forced into weaker and weaker hands. When it began to pay, as it has by reducing its floating debt and by bond purchases, it is equally safe to assume that its securities commenced to center in stronger hands, and this is a tendency that is likely to continue until the last of the debt is cancelled.

Of about $3,000,000,000 Treasury certificates outstanding January 30 last, only $373,000,000 were pledged with Federal Reserve Banks as collateral — a much smaller ratio than obtained formerly. The Treasury Department estimates that this floating debt will be extinguished without renewals or refunding at maturity by means of taxes and internal revenue. The Department estimates that half of this debt will be retired in 1920, and the released credits will probably find occupation in other Government obligations, chiefly Victory notes.

In the period from June 6, 1919, to January 30, 1920, Government bonds, notes and certificates deposited with banks which are members of the Federal Reserve System as security for collateral loans diminished about $1,500,000,000. If a similar rate of decrease was shown by non-member banks, it is safe to assume that withdrawals for investment in this period amounted to more than $2,000,000,000 and may have reached $2,500,000,000.

As far as investment buying as distinguished from redemption purchases is concerned, it may be expected to continue at an accelerated rather than diminished rate. The period mentioned above placed one of the greatest strains ever experienced on credit. Unusual industrial activity coupled with unprecedented prices for commodities as well as the exceptional opportunities offered by the stock market kept money high and out of investment channels. There is more than enough credit basis in this country for any degree of industrial activity that could grow out of domestic demand, while the expectation that industry fostered by foreign demand must slacken is general. For the time, the stock market, resting in a period of comparative quiet, is making lesser demands on credit.

TABLE I.—LIBERTY BONDS RETIRED TO FEBRUARY 29, 1920.

Loan	Amount issued	Retired	Outstanding Feb. 29, 1920
First	$1,989,455,550	$28,150,220	$1,961,305,330
Second	3,807,864,200	402,512,600	3,405,351,600
Third	4,175,148,700	435,907,995	3,739,150,705
Fourth	6,959,504,587	424,616,124	6,534,888,463
Total	$16,931,973,037	$1,291,276,939	$15,640,696,098

When all the difficulties of the credit situation in the past seven or eight months are considered, it is obvious that only the knowledge that Government bonds offered the investment opportunity of a lifetime could have stimulated any buying at all.

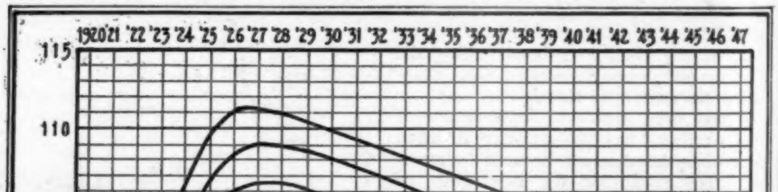
Government Buying

Government buying is authorized under two provisions that will overlap for an indefinite period after July 1, 1920, which is the date when the second becomes effective. The first provision authorizes the Treasury to purchase in any twelve months, not to extend beyond one year after the termination of the war, one-twentieth of the par amount of Liberty bonds originally issued or outstanding at the beginning of each twelve months' period. This provision has the effect of a 5% sinking fund and does not extend to the First 3½s. It will cease to operate one year after ratification of peace.

The second provision creates a cumulative sinking fund for the retirement of all issues, and begins July 1, 1920. The amount is equal to 2½% of the total par value of all issues outstanding at the beginning of each fiscal year, less foreign government obligations held by the United States, and to the interest which would have been payable on redeemed bonds or notes in any fiscal year and in previous years. Bonds may be purchased at a premium but the average price of all purchases shall not exceed par. Redeemed bonds must be cancelled and cannot be re-issued.

Of the first four Liberty loans, $16,931,973,037 was originally issued, while the amount outstanding February 29, 1920, according to the preliminary report of the Treasury Department (Table I.), was $15,640,696,098, a decrease of $1,291,276,939. The major part of this reduction was due to the operation of the bond purchase fund and in small measure to payment of inheritance taxes with bonds.

Any estimate of the future operations of the two provisions for bond retirement will be influenced by several uncertain factors, among which is the length of time that the two will overlap. The bond purchase provision expires one year after the ratification of peace and peace has not yet been ratified. Payment of foreign obligations between the present and July 1, 1920, which cannot be predicted, would reduce the amount of bonds outstanding to which the sinking fund provision will become applicable on that date.



The total funded war obligations of the Government were $21,463,708,200, but this amount has never been outstanding at any one time. If it be assumed that peace is ratified July 1, 1920, the amount of bonds to be retired by the purchase fund will reach about $2,500,000,000. Deduction of $9,495,298,000 foreign obligations would leave about $10,000,000,000 to which the 2½% sinking fund provision will be applicable. If it could be assumed that this per cent becomes applicable to $10,000,-

000,000 on July 1, 1920, the purchase plus a cumulative sinking fund of 4¼% would overtake the debt somewhere between the 23rd and 24th years thereafter.

With floating debt being paid off and no more loans to be floated, it is obvious that buying at the rate indicated will have a marked effect on price, in which case an investor purchasing bonds at present levels would receive a much higher return upon a resale than the theoretical yield calculated to maturity.

Prices Which May Be Reached

That all the Liberty Bonds will sell at higher prices than the present is, of course, a certainty, so far as anything in the world can be called a certainty. Just when or how high, however, must depend on future events which cannot now be foreseen.

A reasonably conservative assumption seems to be that the yields on the Liberties generally will fall at least an average of ¼% a year until a 3½% yield is reached. United States bonds before the war sold at a still lower yield. Even those which could not be used by the National Banks as a basis of currency notes sold high enough to yield only about 3%.

Now, however, we shall have a much larger quantity of bonds outstanding, and most of them are only partly exempt from the income tax. With the reduction in the amounts outstanding and also a gradual reduction of the income tax—which will be made possible by the declining interest requirements which the Government has to meet—yields on the Liberties should approach the 3% basis, but it is probably not safe to assume that a 3% basis will actually be reached within any early period.

In order to show more plainly the big possibilities in Liberty Bonds, the graph herewith has been constructed on the above assumption—that is, assuming a fall of ½% yearly in yields until a 3½% basis is reached, and that the bonds thereafter sell on the 3½% basis to maturity. It is understood, of course, that the graph is purely theoretical. Nevertheless, it serves to give us at least a rough approximation of what is likely to happen to Liberty Bond prices.

Probable Tendency of Liberty Bond Prices

The above diagram shows approximate prices at which Liberty Bonds might reasonably be expected to sell in coming years, provided present yields of around 5% fall an average of ½% yearly until a 3½% basis is reached and that basis continues until the maturity of the bonds. Retirement of bonds by the bond purchase and sinking funds will, of course, aid toward improving prices. The diagram is based on the final maturities of the bonds. The first, second and fourth 4¼s have optional maturities at earlier dates, and if the bonds are retired at those earlier dates, the curves would be somewhat modified toward lower prices.

Baltimore & Ohio's Future Uncertain

A Few Suggestions for Reclaiming Losses on Preferred and Common Stocks Purchased at Higher Than Current Prices.

By **DANA HYDE**

ALL those who have held Baltimore & Ohio Railroad stocks for any length of time are holding them at a loss, and the purpose of this article is to point the way to salvage, either in whole or in part, depending on the percentage of the loss. Anyone having bought the common as far back as 1910 may have paid as high as 119⅝, and such a loss at the market is admittedly difficult to save without falling back on the risky venture of speculation. Most of the present holders of the common, it may be assumed, paid considerably less and their position is not so hopeless. Anyone having bought the preferred in the same year may have paid as high as 94. At first glance, the recovery of 45 points seems impossible, and it must be conceded that a good deal of time would be needed to reclaim such a loss. Holders of preferred who bought ten points lower, however, do not seem to me to be in a position so desperate as some of them may assume.

During the twenty-six months of Federal control of the railroads, it was never difficult to find a plausible excuse for using a transportation system as a "sewer," and Baltimore & Ohio is no exception. Notwithstanding Erie and Wabash had served higher ends in the past, they were used for the return of empty cars on the representation that they were best suited to that purpose and could, thereby, contribute their utmost to making the world safe for democracy. Likewise, Pennsylvania, admittedly the greatest railroad system in the world, was discovered to be peculiarly adapted to the movement of steel products as distinguished from high-tariff freight, and it was made to appear that the company's patriotism bore an inverse ratio to its operating net.

While everything was being made safe for everybody, Baltimore & Ohio's territory was made safe for its competitors by using the system for a soft-coal carrier. President Willard, in his report for 1918, without any strictures, said that the increased operating ratio was due to this cause. The average rate per ton mile for bituminous coal is 529/1000 cents compared with 964/1000 cents for all other classes of freight. As operating costs advance, they first overtake the revenue from low-tariff freight. Thus, the result of diverting an excess amount of this business to Baltimore & Ohio during a period of high and increasing expenses is obvious.

TABLE I.—BALTIMORE & OHIO'S CLOSE MATURITIES.

Bond	Rate	Due	Amount
Ravenswood, Spencer & Glenville	6	Aug. 1, 1920	$361,000
Ellwood Short Line.	5	Jan. 1, 1922	300,000
Pittsburgh Junction 1st	6	July 1, 1922	934,000
Pittsburgh Junction 2nd	5	July 1, 1922	248,000
Huntington & Big Sandy	6	July 1, 1922	303,000
Pitts., Cleve. & Toledo	6	Oct. 1, 1922	441,000
Col. Trust (Coal & Coke)	6	Apr. 1, 1924	3,000,000
Schuylkill River East Side	4	June 1, 1925	5,000,000
Prior Lien	3½	July 1, 1925	74,910,175
Southwestern Div..	3½	July 1, 1925	44,991,630
Pitts. Junc. & Middle Div...........	3½	Nov. 1, 1925	6,124,500
Secured Loan	6	July 1, 1929	35,000,000
Cleve., Loraine & Wheeling Cons...	4½	Jan. 1, 1930	950,000
Central Ohio	4½	Sep. 1, 1930	1,069,000
Dayton & Michigan (Leased)	4½	Jan. 1, 1930	2,728,000
Convertible	4½	Mar. 1, 1933	63,250,000
Cleve., Loraine & Wheeling 1st	5	Oct. 1, 1933	5,000,000
Total...............			$244,545,385
Equipment Trusts...	4½	1920 to '27	15,500,000
National Equipment Trust	6	1921 to '36	27,206,000
Grand Total.........			$287,251,385

Note.—For the next few years the 4½ per cent equipments will mature at the rate of $3,500,000 a year, thereafter diminishing. The national equipments mature at the rate of about $1,800,000, or a total charge of $5,300,000 on account of principal.

Soon after the beginning of Federal control I became convinced that a few roads would fall victim to the change. Naturally, these would be the systems that contained weaknesses prior to Government management, for these would be the least able to sustain the misuse. Baltimore & Ohio, it must be admitted, contained weaknesses. In a measure, it is already a victim of Federal misuse. The only question that need be considered is what degree of recuperative power the system retains.

Operating Results

Net income for 1918 under rental was at the rate of $5.67 a share on the common stock. In a recent listing application for the secured ten-year loan, the company submitted an income statement for the first six months of 1919 showing net equal to $2.61 a share on the common. At the time the last preferred dividend was declared, an official estimate for the last six months of 1919 gave net income equal to $2.49 a share on the common. The two six months' statements combined show $5.10 for the year, a decrease of 57 cents a share from 1918. As the loss was due to increased charges, the rate of return for the first eight months of 1920 can be expected to be proportionately less.

It would be just as misleading to take operating results during Federal control as to take Government compensation as a measure of Baltimore & Ohio's possibilities after September 1, 1920. I think it is safe to conclude that the company will

show less than rental and more than operating net in 1918 and 1919, but how much more will it show? It must show a great deal more in order to live.

In 1918 Baltimore & Ohio earned $7,172,487 net from operations and in 1919 only $5,082,425, compared with rental of $28,031,146 for the parent road. These returns represented 25.7% and 18.1%, respectively, of Government compensation. Had the property been operated for corporate account in 1918, it would have earned, with other income, about 45% of its charges, and, similarly, in 1919, about 35% of its charges.

It has been estimated that Baltimore & Ohio, on the basis of 1919 traffic and a 15% increase in freight rates, would earn about 4¼% on the common stock, but this estimate takes no account of a possible decline in general traffic, nor of wage demands pending, nor of $3,500,000 that must be deducted annually for the next five years from income for capital investment under the terms of the agreement covering the ten-year collateral notes. Indeed, it is next to impossible to say what Baltimore & Ohio will do under a given increase in freight rates. One can only be certain that the future is in doubt.

Baltimore & Ohio is likely to be affected either way by two forms of rate agitation. Philadelphia and Baltimore have long enjoyed differentials over Boston of two or three cents per hundredweight on freight originating at Chicago or western territory, and Boston is clamoring for a new schedule of rates that will place the three ports on a parity in export business. In support of its contention, Boston points out that it suffers from the handicap of having only connections to Chicago, while Philadelphia and Baltimore have direct lines. If Boston gains its point, Baltimore & Ohio would lose an advantage it now enjoys over New York Central and New England connections.

On the other hand, rates recently placed in effect give Gulf ports an advantage over Atlantic ports on export freight, and Daniel Willard, acting for his own and other systems, has lodged a protest. Although the rates on domestic freight from Chicago to New Orleans are higher than to Atlantic ports, rates on export freight have been fixed lower, ostensibly to offset the costlier ocean transportation from the southern ports.

Topheavy Structure

Vice-President Shriver estimated last December that Baltimore & Ohio would have about $22,000,000 working capital on the return of the roads, provided the Government funded its expenditures. After provision had been made for January 1, 1920, interest, he estimated there would be due the company on open accounts and under compensation about $7,000,000, and on account of materials turned over to the Government about $15,000,000. The Railroad Administration had expended on the property about $22,500,000, against which the company was entitled to credits of $12,500,000, leaving balance due of $10,000,000. If these expenditures, which take no account of equipment, were not funded, the company would be left with a working capital of about $12,000,000.

A balance sheet as of June 30, 1919, shows funded debt of $476,596,048 and loans and bills payable of $53,730,306. The secured loan, dated July 1, 1919, reduced the latter item, but it also increased the funded debt to more than $500,000,000. Against this, the company had outstanding $212,317,468 stock. This is the weakness in Baltimore & Ohio.

Such a relationship between bonds and stock is advantageous to the latter in periods of prosperity, because once earnings cover interest they mount very rapidly on the stock issues. In times of adversity, however, the effect of such a relationship is too patent to need emphasis.

As shown in Table No. 1, Baltimore & Ohio has $244,545,305 bonds maturing by 1933, and sufficient equipment notes by 1936 to bring the total to $287,251,305. In 1925, about $125,000,000 3½s mature, and, under existing money conditions and railroad credit, the refunding securities would have to be floated on about a 7% basis, thereby doubling the charge. In addition to its other problems, Baltimore & Ohio must set aside from income for the next five years $3,500,000 a year for capital purposes, or until the $35,000,000 ten-year bonds are reduced by half.

TABLE II.—HIGH YIELDS OF BALTIMORE & OHIO BONDS.

Bond	Rate	Term	Low Price of 1920	Yield
First Mortgage	4%	28 yrs	61	7.27%
Toledo & Cin'nati div	4	39	47⅞	8.25
Prior Lien	3½	5	78⅞	8.45
Refunding & General.	5	75	59¾	8.75
Pitts., L. E., & W. Vir	4	21½	53	8.95
Collateral Loan	6	9	81⅛	9.05
Convertible	4½	13	59	10.27
Southwestern Div.....	3½	5	69⅛	10.50

TABLE III.—BALTIMORE & OHIO'S OPERATING RESULTS.

	Gross Revenue	Net Oper. Income
1917	$139,851,916	$23,060,582
1918	174,191,448	7,172,487
1919	182,620,016	5,082,425

With the exception of Pennsylvania and New York Central, Baltimore & Ohio was allocated more equipment by the Government than any other system, and more than the two exceptions in proportion to its strength to carry the load. Of the $27,000,000 obligation created on this account, it may be assumed that $9,000,000 represents equipment costs in normal times and $18,000,000 war inflation.

Low Price of Bonds

At the low prices of 1920 (Table No. 2), the more active bond issues of Baltimore & Ohio were selling to yield from 7.27% to 10.50%. There has been some recovery since these prices, but they are still selling low enough to emphasize the dubious position of the stocks.

The first gold fours of 1948, which have sold this year as low as 61, are secured by a direct or collateral lien on 1,658 miles of road. They are secured on the property covered by the prior lien 3½s, but subsequent thereto, being a second lien on 702 miles of road and a second collateral lien on 375 miles. They are a first lien on 156 miles of road and a first collateral lien on 405 miles. They are further secured by the deposit of $8,500,000 terminal 4½s, which in turn are secured by stocks and bonds of subsidiary companies amounting to $8,225,000. Although a sufficient amount is reserved to retire the $75,000,000 prior lien 3½s, it is provided that bonds so issued shall be pledged under the refunding and general mortgage of 1995. The bonds are outstanding at the rate of $49,457 a mile, and, including prior liens, at the rate of $97,708 a mile.

The Toledo & Cincinnati Division fours of 1959, which have sold as low as 47⅞ this year, are outstanding in the amount of $11,250,500, together with $5,000,000 fives issued under the same mortgage. Of the unissued bonds, $12,366,500 is reserved to retire a like amount of prior liens and guaranteed stocks. The mortgage is a collateral lien on 245 miles of road, of which 123 miles is covered by first collateral lien, 44 miles by first and participating collateral lien, 19 miles by first collateral lien on stock interest and 60 miles by third collateral lien. The mortgage is also a collateral lien on 151 miles of leasehold interests and trackage rights. The direct prior liens amount to $5,000,000, and the leasehold prior liens to $6,436,200.

The property under these bonds consists of the more important parts of the old Cincinnati, Hamilton & Dayton Railway, the purchase of which by Baltimore & Ohio has proven of doubtful wisdom. The security for the bonds, while not of the best, seems to be ample, and they underlie the Toledo & Cincinnati Railroad adjustment and improvement bonds, all of which are owned by Baltimore & Ohio, as well as the latter company's stocks.

The prior lien 3½s of 1925, which sold at a low price of 78⅞ this year, are secured by a direct first mortgage on 702 miles of road and a collateral first lien on 375 miles, or a total of 1,077 miles. They are outstanding at the rate of $69,632 a mile. They underlie the gold fours of 1948 and the refunding and general fives of 1995.

Refunding and General Bonds

Of the refunding and general bonds of 1995, $60,000,000 is in the hands of the public and $15,000,000 is pledged as part security for the 6% notes of 1929. At the time the mortgage was created, the $63,250,000 convertible 4½s of 1933 were accorded equal security and provision made for their retirement. The bonds are secured as follows: First lien on 36 miles, first collateral lien on 110 miles, second lien on 422 miles, second collateral lien on 1,550 miles, third lien on 1,316 miles, third collateral lien on 546 miles, fourth lien on 309 miles, fifth lien on 198 miles and junior liens on other small mileage and securities. Including prior liens of $280,327,305, the bonds are outstanding at the rate of $89,804 a mile.

The Pittsburgh, Lake Erie and West Virginia refunding fours of 1941, of which $43,000,000 is outstanding, are subject to prior liens amounting to $28,869,500. They are secured by direct or collateral liens in varying degree on 1,643 miles of road, and are prior to the refunding and general fives of 1995 and the convertible 4½s of 1933.

The secured sixes of 1929, of which $35,000,000 is outstanding, are unlimited as to future issues. The security consists of $6,000,000 Reading Company first preferred, $14,000,000 second preferred and $9,200,000 common, besides $15,000,000 Baltimore & Ohio refunding and general sixes. It is provided that the market

value of collateral shall be maintained at 125% of the par value of these notes. The present market value of the Reading collateral is about $29,000,000. Omitting consideration of the Baltimore & Ohio bond collateral, Reading collateral at the market secures these notes up to 83 and they have sold as low as 81½.

The convertible 4½s of 1933, originally debentures, are secured equally with the refunding and general mortgage bonds. They have sold this year as low as 59, at which they yield about 10¼ per cent.

The southwestern division 3½s of 1925, of which about $45,000,000 is authorized and issued, are secured by a first collateral lien on 921 miles of road, and are outstanding at the rate of $48,859 a mile. The company reserves the right in the refunding and general mortgage to extend this issue to July 1, 1950, but such an extension, of course, would depend on the consent of the holders. The bonds are senior to the refunding and general bonds and to the convertible 4½s. With only five years to run, they have sold in 1920 as low as 69¼.

Quality of Security.

Of the eight bonds described in the foregoing paragraphs, I believe the security is ample for five of them. In case of a reorganization, it might be decided to detach and surrender the old Cincinnati, Hamilton & Dayton. In that event, the holders of the Toledo & Cincinnati divisional fours might have to take the property, but such a course seems unlikely. Unless the improvement in operating conditions is prompt and pronounced, the position of the refunding and general fives and the convertible 4½s may well be questioned. At the prices of some of the better secured issues, they are not the most attractive among Baltimore & Ohio's bonds. The recent advance in Reading common has made the security for the ten-year notes ample, especially if it be considered that they are selling at a big discount for a short-term issue.

At the close of the market on March 13, Baltimore & Ohio preferred sold at 48⅞. The stock is paying 4%, and is limited to 4%. On the same day the Toledo & Cincinnati divisional fours closed at 49½, a difference of ⅝ of a point. The holder of a divisional four has a reasonable degree of assurance that his bond will be worth 100 in 39 years, and gradually approach par in the interval. A holder of the preferred stock has no such assurance, and could count on a profit only by assuming that money rates will fall materially and Baltimore & Ohio credit improve likewise. I should certainly not continue to hold the preferred stock if I could make the switch at a cost of a point.

A few years ago several large railroad systems were confronted with the problems that now face Baltimore & Ohio. Most of them went through reorganizations, with the result that their stocks rest nearer the rails than they used to and nearer than Baltimore & Ohio's stocks rest at present. I believe some of them are nearer dividends than Baltimore & Ohio common, and among them may be mentioned Pere Marquette, Western Pacific and St. Louis-San Francisco. In each instance the switch can be made at a profit of seven to thirteen points. Vol. 25, P. 506.

Which Is the Best Sugar Stock?

Strong Market Position of the Commodity—Comparative Analysis of Five Listed Issues—Importance of Capitalization Structure and Operating Efficiency

By **BENJAMIN GRAHAM**

THE sugar issues as a class enjoyed considerably more than the average advance in the bull movement of 1919, and in the February decline they suffered less than most other industrials. This favorable showing has been due primarily to the continued advance in the price of the commodity. During the war the price of sugar was fixed by the International Sugar Committee and the Sugar Equalization Board, which in the crop years 1917-8 and 1918-9 purchased the entire Cuban output at 4.60c. and 5.50c. respectively. For the current year the regulatory policy has been abandoned, and the price of the staple has advanced sharply in response to purely natural conditions. The scarcity of sugar—with which most of our readers are ruefully familiar—has been due, first, to the sharp falling off in European beet sugar production, secondly, to the shortage of tonnage for the transportation of the Javan crop, and thirdly, to a recent substantial increase in the per capita consumption of this country.

Cuba—far from the firing line—has been able to take advantage of this situation by raising record crops and selling them at record prices. Producers in Porto Rico and other islands have enjoyed similar prosperity. The sugar industry in the United States, which relies chiefly on beets, was severely handicapped during the last crop year by adverse weather.

The securities of eight companies engaged in the production of sugar are now listed on the New York Stock Exchange. Of these, five operate under substantially similar conditions and are therefore susceptible of fairly accurate comparison. These five concerns are Cuba Cane, Cuban-American, Punta Alegre and Manati, located in Cuba; and South Porto Rico, operating in that island and in San Domingo.

Of the other three companies the most important is probably American Sugar Refining, which is primarily a refining enterprise, and is interested in raw sugar production only indirectly, through its stock holdings in six western companies. United Fruit Co. is the fourth largest factor in the Cuban sugar output, but its other interests are so numerous—comprising shipping, fruit growing, livestock, etc.—that it cannot well be compared with sugar producers, pure and simple. Finally there is the Am. Beet Sugar Co., the only direct representative of this industry on the New York Stock Exchange. Since beet sugar leaves the factory in the refined state, neither the selling price nor the operating costs of this enterprise is comparable with those of the cane sugar companies. Moreover the weather conditions affecting the size of the crop may be entirely different for the two industries—as indeed they were last year.

For the reason stated above, therefore, it seems advisable to confine this article to an intensive comparison of the five cane sugar producers, leaving the remaining companies—important as they are—out of the picture.

The 1919 Reports

In the last analysis that stock is cheapest which will ultimately yield the largest return on its purchase price. With this criterion in mind, we begin by examining the last annual reports of the five companies—all covering the crop year 1918-9—to determine therefrom the amounts earned on the respective common shares.

These preliminary results are given in Table I. Since what we are seeking is not merely the amount earned per share, but chiefly the relation of the earnings to the *price*, the figures are stated both in dollars per share and in percentage of market value (market price as of March 23, 1920, being used). These profits are stated, moreover, both before and after deduction of depreciation and taxes. The amount charged to expense for depreciation is more or less arbitrary with each company, so that the net income can be made unduly large or small by curtailing or inflating this item. While there is nothing voluntary about taxes, the possibility of modification of at least the excess profits levy gives a comparison of profits before the tax deduction considerable potential value.

The table would indicate that, both before and after these two deductions, Cuba Cane Sugar earned last year the largest percentage of its present market value. On the second basis its figure of 16.2% earned on the price of its common compares with 16.1% for South Porto Rico Sugar, 1.5% for Cuban-American, 14.5% for Punta Alegre and 8.6% for Manati.

Cuba Cane leads therefore from the standpoint of 1919 earnings per dollar of market price of the common stock. Does this fact make Cuba Cane intrinsically the most attractive of the five issues? This question suggests a new consideration—one much too little regarded in view of its vital importance—namely the capitalization structure of the various companies.

Cuba Cane Sugar's good showing is due in great measure to the very large proportion of its total securities represented by bonds and preferred stock, bearing a fixed charge of 7 per cent. Hence the surplus profits are distributed over a relatively small common stock issue, making the earnings per share in prosperous years unduly high as compared with other companies having a larger proportion of common stock to total securities. In times of depression, however, the margin for the common shares quickly melts away, and before long even the payments on the senior issues are impaired. This danger is clearly reflected in the lower price of Cuba Cane preferred compared with the others.

TABLE I.—EARNED ON COMMON SHARES—1918-'19.

	Before Depreciation and Taxes		After Depreciation and Taxes	
	Per Share	% of Mkt. Price	Per Share	% of Mkt. Price
Cuba Cane	$13.11	27.3%	$7.76	16.2%
Cuban-Amer.	117.66	25.9	67.67	15.0
So. Porto Rico	49.10	21.7	36.78	16.1
Punta Alegre	17.21	20.5	12.21	14.5
Manati	20.60	17.8	10.00	8.6

TABLE II.—RELATION OF CAPITAL STRUCTURE TO EARNINGS.

	Present Capitalization.				Common Stock		
	Bonds	% of Total	Pfd. Stk.	% of Total	No. of Shrs.	Mkt. Value	% of Total
Cuba Cane	$25,000,000	25.3%	$50,000,000	50.5%	500,000	$24,000,000	24.2%
Cuban-Amer	2,000,000	3.7	7,893,000	14.4	*100,000	45,000,000	81.9
So. Porto Rico	....	...	5,000,000	28.4	56,023	12,880,000	71.6
Punta Alegre	....	...	....	...	223,600	18,782,000	100.0
Manati	....	...	2,500,000	23.2	100,000	11,600,000	76.8

Per Cent. Earned on Total Capitalization—1918-'19.

	Before Depreciation and Taxes	After Depreciation and Taxes
Cuba Cane	10.7%	8.0%
Cuban-Amer.	24.9	14.0
So. Porto Rico	17.2	13.4
Punta Alegre	19.9	14.5
Manati	13.1	8.2

*To be exchanged for 100,000 shares par $10.

The Capitalization Structure

The significance of this point becomes immediately apparent when we compare the earnings of the various companies on their *total capitalization* instead of merely on their common stock. This capitalization is computed by valuing the bonds and preferred stock at par, and the common shares at market value. The 1919 results on this basis are given in Table II, and indicate that both before and after deductions for taxes and depreciation Cuba Cane now makes the *poorest* showing of all, instead of the best. In fact, before these deductions, Cuban-American actually reveals an earning power about two and one-half times as great as does the larger company.

To demonstrate the practical bearing of this matter, let us suppose that Cuban-American reorganized its securities so as to conform to the capitalization structure of Cuba Cane. This it could easily do by offering to issue 7 per cent bonds or preferred stock at par in exchange for three-quarters of the new common (par $10), valued at 45. If that were done, Cuban-American's capitalization would then consist of about $43,000,000 in bonds and preferred, and 250,000 shares of common. This would make it almost the exact replica of Cuba Cane, but on just half as large a scale. With such an arrangement, however, Cuban-American would have earned last year $37.30 per new share (par $10), before deduction of depreciation and taxes, against $13.11 for Cuba Cane. And yet the latter is now selling at a higher price!

A little "juggling of figures" can thus transform the apparent advantage of Cuba Cane in earning power into a woeful inferiority. It will doubtless be argued that all this is purely academic, since there is no possibility of any such readjustment in Cuban-American's securities as that imagined above. Admitted that the direct offer of exchange for senior issues is most unlikely, there is still the possibility that Cuban-American might seek to increase the earning power of the present common by the issuance of new bonds or preferred for the acquisition of new properties. Precisely this course was followed by American Steel Foundry. For when its directors realized that it could earn more on its common if part of its capitalization were in preferred stock they created a preferred issue and acquired the Griffin Wheel Co. with the proceeds.

A thorough discussion of the relation of capitalization structure to common stock values would require a separate article—and a long one at that. We cannot leave it however without drawing attention to the important influence of this element upon the exhibit of Punta Alegre Sugar. The securities of this company are all of one class—since the equivalent in common stock must be substituted for the convertible bonds. For this reason it ranks fourth in Table I, from the standpoint of actual earnings in 1919 on the present market value of the common stock. But when all the companies are reduced to the same level of capitalization—as is done in Table II—Punta Alegre Sugar jumps to the very first place. Cuban-American follows a fairly close second, with South Porto Rican Sugar a good third. Cuba Cane and Manati are far out of the running.

Operating Data

So far we have been dealing with the final results—which after all are the only things which really count. But in order to obtain some idea of how these results are likely to run in the future, it is necessary to pay some attention to the operating details reported by the various companies. The salient features are given in Table III, and exhibit a great diversity in costs and profits. The advantage enjoyed by Cuban-American in the matter of receipts per pound is clearly due to the fact that, alone of all five companies, it refines a portion of its output (about 30%) for which of course it obtains a higher price. To this cause is also due in part its leadership in net earnings per pound produced.

The outstanding feature of Table III is the very poor showing in profits per pound made by Cuba Cane. This figure is less than 40% of that reported by Manati, which is also under Rionda management. It must seem strange that the estates selected as the pick of all Cuba, entrusted to the foremost sugar men and supplied with the best scientific talent, should make such a miserable operating exhibit compared with any of the other companies. No doubt this disappointing element was chiefly instrumental in causing the Goethals investigation.

Opportunities for detailed comparison are lacking; for while Cuba Cane is most liberal with its information, this is rendered useless through the reticence of its competitors. One or two facts are perhaps worth stating. The cost of marine freight last year was about 10% higher for Cuba Cane than for Manati, although the latter's plantations are no nearer the Atlantic seaboard. The yield of raw sugar for Cuba Cane was 11.15% of the total cane ground, against 11.45% for Cuban-American, showing greater manufacturing efficiency for the latter, since the gross content of the cane was no larger. Cuba Cane, however, is making gradual progress towards obtaining a larger percentage of extraction.

TABLE III.—OPERATING DATA—1918-'19.

	Production (250-lb. bags)	Gross Receipts (Per lb.)	Net Profit per lb. (Before Deprec. Tax)	Depreciation Charged Per lb.	% of Prop. Acct.
Cuba Cane	4,319,189	5.90c.	.60c.	.12c.	2.3%
Cuban Amer	1,965,641	7.84	1.96	.16	3.2
So. Porto Rico	618,400	6.28	1.58	.35	5.6
Punta Alegre	695,150	5.90*	1.31	.27	5.7
Manati	567,366	5.90	1.56	.31	3.7

*Estimated.

TABLE IV.—PRICES AND DIVIDENDS.

	Preferred			Common		
	Price	Rate	Yield	Price	Rate	Yield
Cuba Cane	82	7%	8.55%	47	...	..
Cuban-Amer	106	7	6.60	450	$10	2.2%
So. Porto Rico	110	8	7.27	230	20	8.7
Punta Alegre	...	..	...	84	5	6.0
Manati	100	7	7.00	116	10	8.6

Conclusions

Coming now to a final valuation of the five issues, we must at the outset distinguish Cuba Cane from all the other companies. That enterprise is characterized by large production, high operating costs and heavy interest and preferred dividend charges. This is a combination which makes for excellent earnings on the common during periods of high sugar prices, but a very rapid shrinkage in profits when the price of the commodity declines. In a word, Cuba Cane common is essentially a speculative issue, carrying possibilities both of sharp advances and sharp recession.

The new 7% convertible debentures, however, having a first claim on the earnings and assets of the company, appear to be very well secured, and their conversion privilege into the common stock at 60 might some day acquire substantial value.

South Porto Rico Sugar yields the highest dividend return (see Table IV). As compared with the Cuban producers it enjoys the advantage of exemption from the one cent import duty levied on the latter. We would point out further that the depreciation charges of South Porto Sugar on paper bag basis were unusually large last year (Table III), a fact which made the final profits appear somewhat lower than was really the case. The company is planning to increase the output of its San Domingo central, and is said to have sold a good portion of this year's crop at excellent prices.

Between South Porto Rico Sugar and Cuban-American there is little to choose. The latter's stock should enjoy a much better market, now that the par is to be reduced from $100 to $10, and the dividend rate will no doubt be increased. And besides its reputation as the oldest and most successful Cuban producer should not be ignored in any comparison.

Punta Alegre made intrinsically the best showing of all the companies in 1919, but that was on the basis of its capitalization before the recent expansion. Since then it has increased its stock issue by 56% for the purpose of adding about 40% to its mill capacity. This disproportion would tend to diminish the attractiveness of the issue somewhat, especially as the new unit will be operating only partially during the current year of high prices. A good deal will depend on the success of this new venture, the prospects of which at this writing are said to be very favorable.

Manati Sugar, while a successful company, certainly seems to be selling too high compared with the other issues.

To sum up, we would group Cuban-American, South Porto Rico and Punta Alegre rather closely together in the class of conservative common stocks. Manati is too high, and Cuba Cane must be regarded as essentially speculative. If the writer must select one issue as "the best," he would name Cuban-American Sugar—but by a slender margin.—Cuba Cane, Vol. 25, p. 750; Cuba Amer. Vol. 25, p. 338; Punta Alegre, Vol. 25, p. 676.

American Linseed—the Sphinx of Wall Street

Management's Policy of Silence Has Resulted in Confusion of Rumors About the Company's Abilities.

By **PERRY A. EMERSON**

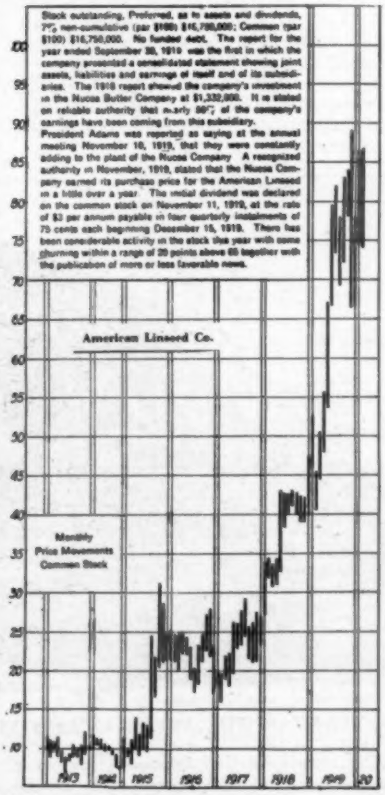
SINCE that period some ten or twelve years ago, when Theodore Roosevelt was attacking "bad trusts," and a long-suffering public was supporting him, American corporations have, as a rule, gone far. Painted black—whether rightly or wrongly does not matter now—it became their effort to show themselves to the public in a new light by the adoption of publicity methods.

Today, the largest corporations in the United States are not only answering any and all questions (with the reasonable reservations) put to them by the public's most powerful representatives—its press—but they are actually encouraging such questions. Perhaps the most illustrious example of this changed attitude would be that of the Standard Oil Company of New Jersey, which has now one of the largest publicity departments in the city. Managed by a former newspaper man, it is through the single agency of this department that Standard Oil has built up a degree of cordiality between its organization and the public never dreamed of before.

There are a few corporations left, however, who still adhere to the policies of a generation ago. Their annual reports are incomplete; at their annual meetings they appear to discourage a healthy interest in their affairs; and to members of the press, who come in spirit of co-operation to learn the facts, they accord a curt dismissal.

That the affairs of the American Linseed Co. should still be so conducted as to give the impression, whether true or not, of desiring to discourage public interest in its affairs is all the more surprising when it is noted that this company is, or is said to be, Rockefeller-controlled. Most of the other concerns under the control of this illustrious family long since discarded "silence" as a corporate motto; and it is a mystery why American Linseed has not followed in their lead.

The American Linseed Company, being in part a holding company, has a string of subsidiary companies upon whose results its earnings largely depend. These companies have the various facilities necessary to handling flaxseed products, their manufactures including linseed oil, varnishes, oil cakes, etc. Their separate and individual earning powers are not made public, however; and except for current rumors about them and some inflation of the holding company's earnings resulting from the addition, in 1919, of their combined profits, it is quite impossible to analyze them or gauge their possibilities.



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With regard to past results from these subsidiaries, the following comment published by a leading brokerage house last fall is to the point:

"In the fiscal year to September 30, 1918, American Linseed stated its profits as equal to 12.75% on the preferred, or 5.75% on the common, after deduction of 7% preferred dividends. Because of the fact that Linseed is in part a holding company there has been a strong suspicion that neither in 1917 or 1918 did the corporation take up in its own income the full earnings of its subsidiaries.

"American Linseed has for so many years pursued a policy of comparative secrecy and the facts of its business development have been so carefully screened that the company's shares have many of the elements of "mystery stocks." At least, if the financial community chooses to regard them as such, there will be sound arguments to support such a course."

In explanation of its policy of silence, an official of the American Linseed Company has been quoted as saying that, because the subsidiary companies were going through a formative period, it would not be to the stockholders' best advantage to publish their earnings. True as this suggestion may be, it seems beyond question that ignorance of the earning power of such important subsidiaries, for example, as the Nucoa Butter Company, would be even more disadvantageous to these same holders than would publicity about their earnings be to the companies themselves.

What is, apparently, the strongest unit in the American Linseed organization is the subsidiary purchased in 1917 and known as the Nucoa Butter Company. This property was purchased for cash at a price believed to have been in the neighborhood of $1,500,000 and within two years from the time of its acquisition was reported to have more than earned its purchase price.

The Nucoa Butter Company's product, a substitute for real butter, is manufactured largely from cocoanut oil. As compared with another vegetable product, put on the market some time before, this cocoanut preparation is said to have

found a much readier market. With real butter running around 71 cents a pound today, after being well above 85 cents, it is not surprising that a heavy demand should prevail for an edible substitute costing only 35 cents a pound.

However, it must be remembered that the great success of this Nucoa subsidiary has been very largely due to high commodity prices ruling during the past four years of increasing inflation. In other words, its prosperity appears an accompaniment of unusual business and financial conditions, and for that reason cannot in my opinion be reckoned as stable or permanent.

Flaxseed Products

The two principal flaxseed products put out under the name of the American Linseed Company are linseed oil and linseed cake. The oil is derived from crops grown in United States farms, as well as from what is said to be a practical monopoly of the very large flaxseed crops of the Argentine. According to the writer's understanding the American-grown flaxseed is purchased from farmers at prevailing prices, none of the plant being grown under its own direction.

Linseed oil's principal use is in the manufacture of paint; and the increasing demand for the stuff is, of course, to be associated with the large scale upon which building construction has gone forward in the last three years. There is no question in the minds of authoritative observers that new construction will continue at a high rate for another year at least; beyond that period, the observers are not willing to predict; but they are inclined to believe that a reaction in construction work will prove inevitable and, with it, a reaction in the demand for such products as linseed oil.

Linseed cake is manufactured for cattle-fodder. It is not, I believe, used to any large extent in this country, the largest markets for the cake being abroad, in Russia, for example, where natural cattle-fodder is not abundant. Although it must be considered an important contributory factor in the American Linseed company's earnings there seems no reason for emphasizing this product as containing any very unusual possibilities.

Perhaps the largest single item in explanation of the strengthened position of American Linseed is the understanding that this company, through the storage during the last few years of large amounts of linseed oil, has been able to profit heavily from the abnormal price advance of that commodity. Reflecting the unusual demand, as well as a rather drastic decline reported in its production, linseed oil has advanced, within the last twelve months from around 70 cents a gallon to a price attained by March-June deliveries of $1.84 a gallon. To how large an extent American Linseed must be profiting, or have already profited, from this spectacular rise is better understood by reference to an item of $10,389,275 appearing for the first time in the company's 1918 balance sheet, which represented sums advanced to the company's subsidiaries ostensibly for the purchase of raw materials. The deduction is that American Linseed made an investment of not less than $10,000,000 in a product which has since more than doubled in price.

TABLE I—PERFORMANCE OF AMERICAN LINSEED CO.

Year Ended Sept. 30.	*1919.	1918.	1917.	1916.	1915.	1914.	1913.
Gross revenue	$11,025,776	$4,385,287	$4,186,043	$2,847,484	$2,519,467	$1,924,948	$2,655,973
Operating expenses	6,696,534	2,246,317	2,038,524	1,347,148	1,437,806	1,518,452	2,111,948
Interest	473,415	....	....	23,518	74,030	99,850	47,843
Net income	3,855,827	2,138,970	2,147,519	1,476,818	1,007,631	306,647	496,181
Preferred dividends	1,172,500	1,172,500	502,500	....	....	....	....
Surplus for year	2,683,327	966,470	†1,261,930	1,476,818	1,007,631	306,647	496,181
Working capital	10,038,359	8,492,652	7,984,891	7,530,013	6,209,139	5,218,009	5,057,126
Earned on common per share	$16.02	$5.77	$5.82	$1.82	....	....	....

*Includes earnings of subdivison. †After deducting $263,069 reserve for contingent.

Financial Record and Policy

A single glance at the financial performances of the American Linseed Company since its organization is enough to throw cold water on the enthusiasms resulting from a review of the company's more recent activities. For the twenty years from the time of its organization until 1918 the earnings of the company were not sufficient to warrant dividends on the common stock; and for the period from 1901 to 1916 were too small to permit even of payments on the preferred.

In other words, during the period which should be considered most thoroughly in any current stock analysis, because its reverses and handicaps put all industries on their mettle, American Linseed's performance was very poor.

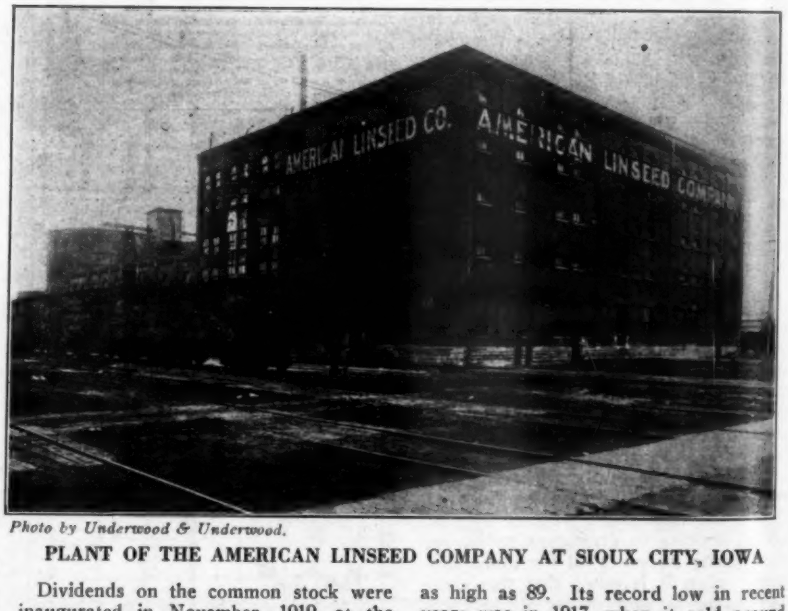


Photo by Underwood & Underwood.

PLANT OF THE AMERICAN LINSEED COMPANY AT SIOUX CITY, IOWA

Dividends on the common stock were inaugurated in November, 1919, at the annual rate of $3 a share, payable in quarterly instalments of 75 cents each. Considering the large earnings of the company in the past three years, there is no reason to doubt its ability to maintain this rate; but, harking back to those gloomier days, which in the nature of things may come again, when American Linseed's earnings averaged not much above $1 a share, the rate just established loses some of its appearance of easy security.

The whole financial outlook of the company seems to simmer down to the question: What are the real earning capacities of its subsidiaries? and, Will American Linseed maintain a conservative financial policy in the future? The first question the company has not yet seen fit to answer.

The second question, as to the future financial policy of the company, is being elaborately answered through the Street with talk about a new issue of what will probably be 2nd preferred stock. The popular understanding is that this new issue will be distributed to the stockholders (preferred and common) in the form of a melon, and as a recompense for their long wait for dividends. To the best of my information there is a strong liklihood that this new stock will be sold to the stockholders instead of gratuitously distributed among them.

The first thought is that, even though this stock should be sold rather than given away, it would wedge in between the common stock and the company's earnings. Under prevailing almost hysterical conditions in the linseed oil market, the company's earnings would assuredly be ample to accommodate a new stock issue; but, in any return to what it seems only common sense to consider normal conditions in the flaxseed market, American Linseed's justification in further increasing its capitalization might be called into question.

Within the last year the common stock, consisting of 167,500 shares of par value $100, has advanced from as low as 44 to as high as 89. Its record low in recent years was in 1917, when it sold around $16. At the current price, considering the strong market support which the issue seems to receive on reactions, it apparently offers some opportunities for speculative profits; but such material for research as the company sees fit to publish does not, in my opinion, justify classifying the common stock as anything better than a speculation.

Some Near Dividend Payers

A Summary of Prospects for Payments on Seven Selected Non-Dividend-Paying Industrials —Factors to Be Considered—Records and Outlook

By **MAX GOLDSTEIN**

IN the following paragraphs I shall attempt to show, rather than predict, which stocks not now paying dividends may soon enter into the class of those that do. In an investigation of this sort, there is much room for different interpretations of the same facts, and the possibilities of error, the personal element which enters so strongly into the actions of boards of directors, and the uncertainties of the industrial and financial situation make it inadvisable to present one's findings with any degree of dogmatism.

The fundamental factor in any such analysis is the net income of the company available for disbursements on the common. In cases where the company at one time did pay a dividend, which subsequently had to be discontinued, the reasons for the passing of the dividend, and the extent to which these reasons are still operative, must be considered, while if the company does not pay dividends because it is too new, the nature of the industry, its requirements for working capital, and the possible conservatism of the management must all be taken into account.

Requirements for working capital vary considerably from company to company, and are among the determining factors in influencing the payment of dividends. When a company's business is expanding so that new construction is necessary, or unusually heavy inventories have to be carried because of advancing prices, it is unlikely that dividend payments will be initiated. Such conditions are often indicated by the offering of new securities to the public or by material increases in inventory account out of proportion to other assets. Working capital may often be required to carry over a period of dullness in an industry whose ultimate outlook is good, such a condition usually delaying dividend payments.

Conservatism of the management is, of course, a relative term, and varies from one company to another. Factors that have to be taken into consideration are the nature of the industry, the record of the board of directors from the angle of conservatism, and the age of the company.

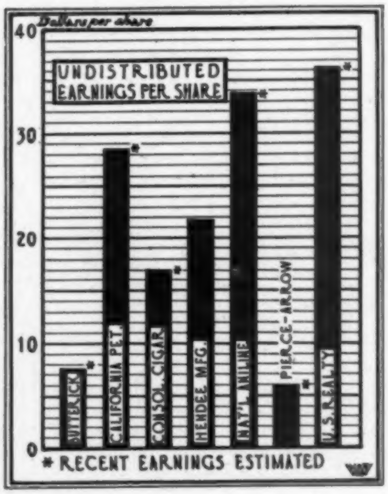
The tendency of earnings must also be looked out for. If earnings have been declining for some time, particularly if that was the reason why dividends were passed originally, resumption of payments is obviously not to be expected, while a sudden great spurt of earnings does not necessarily mean that dividends will soon be paid. The nature of the industry is important in this connection, as an industry where earnings fluctuate largely from year to year is apt to take dividend action which in a more stable industry would be reckless.

Bearing in mind all these considerations, therefore, the following stocks have been selected for more thorough examination from among the industrials listed on the New York Stock Exchange, every near-dividend-payer being a non-dividend-payer, though the reverse is not by any means the case.

In the accompanying chart, the figures show earnings accumulated since the passing of dividends, where dividends were formerly paid, and total earnings where dividends have never been paid.

Butterick Company

Butterick passed dividends on its common stock in 1916, declaring conditions in the publishing business were such as to make conservatism necessary. Since that time, of course, conditions have improved very much. The entry of the United States into the war and the consequent imposition of income taxes made it good business policy in many cases to sink money in long-term advertising rather than have it remain over as net income



to be paid over in the form of taxes to the government. Accordingly advertising has flourished during the last few years and the publishing business has benefited much thereby. If a recent statement of the Secretary of the Treasury is to be accepted, taxes will not be reduced till 1922, so that the prosperity of the publishing business will remain at more or less its present level at least till then.

Before the passing of the dividend its earnings had been fairly uniform, and the dividend rate fairly close to the earnings. After a slump in 1916 and a worse one the year after, earnings recovered to near their usual figures in 1918, and last year's showing was nearly as good. As the company has never made a policy of piling up large amounts of earnings outside of dividend payments, it seems likely that since more than twice a usual year's earnings have accumulated since dividends were passed, and prosperity seems likely to continue, dividend resumption may reasonably be expected.

Working capital as of Dec. 31, 1919, amounted to some $15.50 a share, while during the year about $1,477,000 was written off the plant and machinery account. Various items of floating and funded debt amounting to $1,600,000 were paid off during 1919, while outstanding stock was increased by $803,100. The company is now in a strong financial position, and with last year's earnings of $2.20 a share, understood to be improving, and close to the average of slightly over $3 a share earnings when the company was an established dividend-payer, we believe common dividends may well be resumed shortly. At a recent price of about $18 a dividend of about $2 would seem to be discounted.

California Petroleum

This company has never been a phenomenally high earner, but since it passed common dividends in 1913 it has accumulated about $28 of earnings per share. As its earnings for the past four years have shown an increasing tendency, and the industry is in an exceptionally good position, with demand greatly in excess of supply, and prices rising, it would not be unconservative for it to declare dividends within a short time. Considering that working capital runs at about $14 a share and earnings for the last two years have been about $8 annually, a 4% dividend might easily be declared. This seems to have been discounted to some extent by the current market price of about 41.

In addition there is the possibility of a considerable amount of cash being turned over to the company by a United States receiver, who has held assets valued at $1,466,353 pending the passage of the oil land leasing act. This would net an additional $10 a share to the common, and it seems even probable that the release of the money thus sequestrated may be followed by the resumption of dividend payments. The way was cleared for such action by the clearing off of accumulated dividends on the preferred stock amounting to 8¼% by extra dividend payments on the preferred of 1¼% in 1918 and 7% in 1919. The fact that in every case where full dividends were not paid they had been earned shows a decided conservatism in the company's financial policy, but conditions seem to be ripe at the present time for a declaration on the common, though its amount may well be restricted.

There is a provision for the setting aside of five cents for each barrel of oil produced after full preferred dividend payments for a special preferred stock sinking fund. At the end of 1918 the company was in arrears $951,637 on this fund, which is a cumulative obligation and must be paid off in full before dividends can be resumed on the common. With the present production of some 3,500,000 barrels annually, this would mean additional annual requirements of

$175,000, which can readily be paid at the present rate of earnings, as it amounts to about $1.24 a share. The arrears in ll probability will be met from the payments accruing out of the special impounded fund, which is all in Liberty bonds, and will be released soon, now that the leasing act has been passed.

At a price of $41, however, most of the possibilities for the immediate future appear to have discounted, and the stock is now primarily attractive for the long-pull holder rather than for those who expect the immediate declaration of a big "melon."

Consolidated Cigar Corporation

Consolidated Cigar is a newer corporation than either of the above, having been incorporated in 1919 as a combination of four companies covering all parts of the tobacco industry, from growing the plant to selling the finished cigar. The companies constituting the present corporation had all made good records in the past, and the earnings for last year of the Consolidated Cigar Co. ran at about $20 a share on the common. Its working capital is about $53 a share, according to latest reports.

The company is manufacturing 400,000,000 cigars annually, when not interfered with by strikes as last year, and is said to be booked up for the entire year of 1920. The present production is said to be only about 33% of the demand for its product. Under these conditions a dividend for the common would not seem to be an unduly reckless act.

The company has already initiated dividends on the preferred, which pays 7%, this requirement being met more than six times over at the persent rate of earnings. The corporation has no funded debt, and there is a provision to the effect that none shall be created except for purchase money mortgages, without the consent of two-thirds of the outstanding preferred stock. The latter has a par value of $100, and $4,000,000 of it are outstanding out of an authorization of $5,000,000. The common stock has no par value, and the total authorized amount, 90,000 shares, is outstanding. Beginning July 1, 1921, a sinking fund of $80,000 annually is to be interposed between preferred dividends and the common stock.

A late price of some 68 would discount a dividend of about 6%, which, according to its earning power at the present time and its financial strength, it would well be able to pay. The company is a new one, however, and has not had a chance to show what it could do during a period of adversity, to which an industry like cigar-making is especially vulnerable. **At the same time, the stock seems promising enough to warrant its purchase on sharp reactions.**

Hendee Manufacturing Co.

The present Hendee Manufacturing Co. might well be called "Hendee III," as it is a successor to a corporation of the same name, incorporated in 1910, which in turn succeeded the Hendee Manufacturing Co., founded in 1901. The company turns out the Indian motorcycle, having a plant at Springfield, Mass., and a distributing organization consisting of ten branch offices in this country and abroad, and 2,300 agencies in the United States to 400 in foreign countries.

The dividend record of Hendee has been peculiar. Since 1910 it has paid only one dividend, that one a cash dividend of 50%, in 1913. As the attached figures will show, recent years have shown a great decline in earnings, due partly to the recapitalization. It may be only a coincidence, but the $1,200,000 paid in dividends in 1913 represents exactly the difference between the $2,500,000 received from the sale of preferred stock and the $1,300,000 of cash paid out to the stockholders of the old Hendee company. The declining earnings, even before the war, indicate a possible overcapitalization.

The preferred stock has a cumulative sinking fund provision, calling for the retirement of $150,000 of the stock every year. The working of this provision has reduced dividend requirements on the preferred from $169,951 annually to $119,999, but there are arrears of $197,319 for the last two years in the preferred sinking fund, which must be paid off before dividends can be resumed on the common, this sum amounting to $1.50 per share.

The financial position of the company is very strong, the company having about $43 per share in working capital, of which $10 per share is in cash. The great increase in cash from $171,127 the year before to $1,031,833 may be due to the provision that where preferred stock is not retired in any one year, live assets may be increased correspondingly. In any case, the company is amply able to initiate dividend payments on the common stock on the basis of its present financial strength, particularly if orders keep on at their present rate.

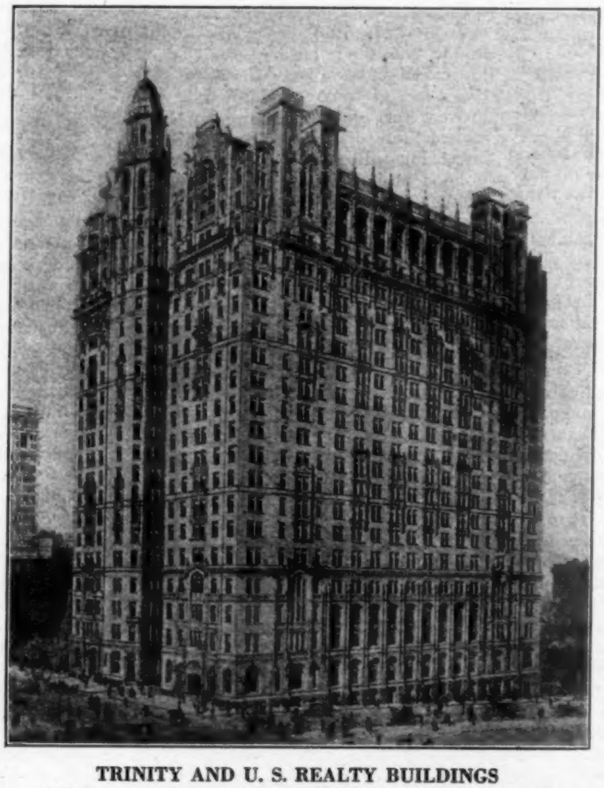
The company has no funded debt, a $1,000,000 issue of preferred stock, and $10,000,000 of common stock, in shares of $100 par value. The common is now selling at about 44, at which price it is close to the 1919 low figure. As working capital alone is fairly close to the selling price of the common, we do not see any very great risk in a commitment in this security, but for the longer pull believe that there are many other securities of greater intrinsic merit, for instance Willys-Overland at 26. Dividend prospects are bright, however.

National Aniline and Chemical Co.

National Aniline operates a complete cycle of the chemical business, from the plants that manufacture coal-tar through intermediate products to the manufacture and sale of dyes and drugs. It is the largest dye manufacturer in the country, and correspondingly is the most affected by pending dye legislation. Whatever final form this may take, it is believed certain that it will be in the interests of the dye-makers, and far-seeing security purchasers might do well to look into the stock before the definite passage of the legislation calls wide-spread public attention to its possibilities.

Controlled jointly by the General Chemical Co., the Barrett Co., and the Semet-Solvay Co., the company was in corporated in 1917, an d in that year acquired the properties of six companies, beside taking over the part of the assets of General Chemical and the Barrett Co. In its first full year of corporate existence National Aniline earned $6.81 per share, and this year's earnings, while not published as yet, are estimated at $25 a share.

The company's cash position has been improved greatly by its prosperous year just past, and government securities and cash are believed to total about $12,000,000, or over $30 a share of common. This compares well with a figure of $4,279,830 for 1918. The company should therefore be financially well able to pay dividends, as there is little new construction for it to do for some time.



TRINITY AND U. S. REALTY BUILDINGS

A large part of the real estate holdings of U. S. Realty & Improvement Co. consists of important downtown office buildings like the ones pictured

The great uncertainty surrounding the dye business has been the attitude of Congress toward the question of protecting the new war-born industry, and this attitude now seems to be a favorable one. The prosperity of the company, therefore, will not be interfered with by German competition, in all likelihood, because of the restrictions that will continue to be placed on the importation of German dyes.

The company has no funded debt, and $21,152,600 of preferred stock, paying 7% and cumulative, on which dividends have been paid since 1918 to the amount of 15¾%. Of the common stock there are 373,990 shares outstanding, of no par value, now selling at about 62. At this price the stock would seem high enough, but worth picking up on recessions.

Pierce-Arrow Motor Car Co.

In strange contradiction to the general strength of the motor industry during the latter part of last year, Pierce-Arrow found it necessary to pass the dividend on the common in August, 1919. The reasons assigned were need of working capital and the prospects of new capital expenditures necessary to handle the enormous demand for the company's product, hitherto known as a "quality car," which had suddenly increased its buying market.

While definite earnings figures for 1919 have not been issued as yet, it is expected that about $4 a share will be shown, a falling off from previous figures. Since the inauguration of dividends on the common in 1917, the company had paid out $10 per share, compared with a total of $36.13 earned per share, including the estimated 1919 figures as above. To some extent the poorer earnings showing is due to the fact that the Pierce-Arrow is a car in which large-scale production methods cannot be applied because of the essentially hand-built nature of the car, which cannot be changed without a sacrifice of quality, which the present management has stated it will not sanction. Part of the decline is also due to the fact that many Government orders were not finally gotten out of the way till the year was more than half over, largely because of the inapplicability of high-speed production methods to this type of car.

The company has overcome these handicaps, however, is enjoying a good flow of orders in both its passenger car and truck departments, but it is keeping down production to some 20 cars a day, whereas its capacity is stated to be some 35 cars daily of both types, equally divided between the two.

Pierce-Arrow is in particularly good financial position, working capital, according to the 1918 report, amounting to some $52 a share, which is not much above the records of previous years. It is noteworthy that 1918 inventories stood at practically the same figure as in 1917, while gross sales increased from $32,565,908 to $41,354,440. Patents and trademarks are carried at the not inflated figure of $2, and a similar conservatism is shown in the steady scaling down of the property account.

The capitalization of the company consists of $10,000,000 of preferred stock, in shares of $100, which pays 8% and is cumulative, as well as 250,000 shares of common stock of no par value. The common was originally issued for some $26 in cash per share, but has sold well above that price since its organization in 1916. In view of the earnings plowed into the property, the good working capital and asset position, and the fact that little new construction is in sight, because of the nature of the company's product, it seems that a period of prosperity for the company like the present should result in the payment of dividends, as there is little use in retaining them past a certain and limited amount. The present price would seem to discount a 6 or 7% dividend, which is probably somewhat above the rate at which dividends will be resumed. On intrinsic merit, however, we believe the stock is entitled to share in any general upward movement.

U. S. Realty and Improvement Co.

This stock is one of the few accessible to the public which wishes to benefit by the boom in real estate, and might frivolously be suggested as a means of hedging on one's rent, *i. e.*, the higher your rent goes, the higher the stock. The company's interests are of two general types, one being the actual ownership and operation of large buildings, principally hotels and office buildings of the better class, and the other the construction business, handled through the George A. Fuller Co., which has to its credit the New York City subways, the Pennsylvania and Commodore Hotels of New York, and many other large construction contracts. The company's policy seems tending to the elimination of its real estate interests by selling out and concentrating more exclusively on its construction business.

The earnings of the company began to show a marked declining tendency in 1915, when dividends were cut from 5 to 2¼% annually, then omitted entirely. Since that time $20.72 has been earned on the common, and the 1919 report does not show the effect of the rent increases nor of the building construction boom that followed the depression of the first few months of 1919, as the fiscal year of the company ends on April 30. Consequently the statement for the year ending April 30, 1920, should show much better than the $9.16 earned per share in 1919.

The balance sheet of the company is a singularly cryptical document. To begin with, beginning with 1917, there has been an account on the books in the form of a deduction from assets because of "estimated shrinkage in values of real estate and other investments," carried in 1919 at $9,430,421, the real estate and buildings account remaining fairly steady at about $21,000,000. Considering that the company's real estate would probably show a tremendous increase in value in view of the present situation in the real estate business, and that the company has sold a good deal of its property, especially downtown in the financial district, next year's balance sheet should look decidedly different. In addition, the company has made a deduction from surplus of $2,954,000 for losses incurred by the end of 1916 in completing its contract to build three sections of the new subways. For these losses the corporation has claims upon the city which may eventually be paid in full.

In any case, it is obvious that the company has great hidden assets and an earning power which will probably continue at a high rate for some time. In this connection the expansion of the company's construction business indicated by the acquisition of a shipyard at Wilmington, N. C., and the closing of $50,000,000 of construction orders from Japan, indicate that a decided improvement in earnings may reasonably be expected, independently of the increased income from real estate investments. The capitalization of the company consists of $11,930,000 of 20-year debenture 5s, due July, 1924, and $16,162,800 of capital stock, of a total authorization of $30,000,000. There has been much talk afloat about the intended retirement of the bonds, now selling in the lower 80's, which are redeemable at 105 and interest. Unless some such step is taken, the common stock should be in line for dividends within a short time. If the company does decide to retire the bonds, dividends will be postponed for some time, but on the other hand the strategic position of the stock will be tremendously strengthened with the elimination of the senior issue and of $596,500 annual interest requirements, which amount to over $3.58 per share of common. At current levels of around 50 we consider the stock an excellent purchase.

GREAT OPPORTUNITIES IN STORE FOR U. S. IN FOREIGN FIELDS

Economic Convalescence of Europe Will Open New Era in Trade Abroad

In the annual report of the American International Corporation, Charles Augustus Stone, President, said:

"Once the European continent is fairly started in economic convalescence by means of balanced budgets and sound currency policies, the United States may look with confidence to the future as full of opportunity for American capital and American initiative in foreign fields. It is true that trade currents may be changed in some respects for a while. Europe will probably buy from us in smaller amounts and sell to us in larger amounts than in former times, for only in this way can she pay the interest due to us on what she owes. But new markets are opening.

"Silver is the monetary standard for a group of nations in the Far East whose aggregate population is probably one-half the total population of the globe. The rise in silver has enormously increased the purchasing power of these peoples so far as the rest of the world is concerned. The South American nations have been materially enriched by the war which gave them a wide and profitable market for their natural products and enabled them to put their exchange rates with the outside world on a satisfactory basis, to the great benefit of their purchasing power.

"All this spells opportunity for the United States which, alone among the great nations in the world, possesses not merely enormous natural resources but also, under normal conditions, a large available capital. Foreign trade in the

Current Events Affecting the Rails

Pennsylvania's Offer for Panhandle Stock May Lead to Similar Offers—Supreme Court Decision—Roads Now Operating for Their Own Account

By **G. H. STEVENS**

THE offer of the Pennsylvania Railroad for the minority holdings in Panhandle has probably excited wonder in the minds of some why a 5% guaranteed mortgage bond should be given for a 4% stock, and I suppose a few holders of Pittsburgh, Cincinnati, Chicago & St. Louis stock, in spite of the company's announcement to the contrary, have concluded that the directors are contemplating a substantial increase in the dividend rate. I think the explanation should be sought elsewhere.

Panhandle formerly paid 5%, but the board was induced by the Railroad Administration to cut the rate of 4%. Pennsylvania's announcement says there is no prospect of increasing the rate with the present improvement program to carry out and the existing debt. Operating results during Federal control, while proving nothing, indicate that Panhandle will do well to continue its present rate. The net operating income for 1918 was so nearly offset by the operating deficit of 1919 that less than $300,000 railway income remained for the two years.

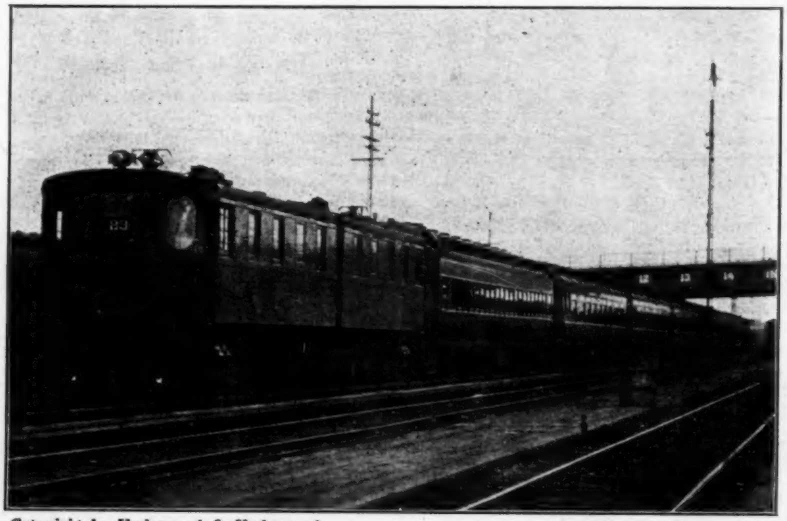
In section 226 of the new Railroad Act —the section providing for recapture of earnings in excess of 6% on the property valuation—is this provision: "For the purposes of this paragraph the value of the railway property and the net railway operating income of a group of carriers, which the Commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole irrespective of the separate ownership and accounting returns of the various parts of such a system."

It will be seen from the foregoing sentence that the question of what constitutes a system is left to the Commission's findings. I think the Commission would be hard put to provide an excuse for finding that Oregon Short Line was not a part of Union Pacific System, for the common control, management and operation are clear. On the other hand, it would be equally difficult for Union Pacific, while owning a substantial stock interest, to show that Illinois Central was part of its system.

The relations of Panhandle to Pennsylvania lie between these two extreme cases; and the question of a common control, management and operation for the purpose of the Railroad Act is open to debate. Of the $84,860,000 Panhandle stock issued, Pennsylvania Company owns $65,117,000 and Pennsylvania Railroad $450,000.

The Pennsylvania Company owns no properties in fee and at present operates none, but it owns the stocks of the group of roads known as Pennsylvania Lines West. During the seven years from 1910 to 1916, inclusive, these lines earned considerably more than 6% on their combined property accounts. In five of the individual years they earned more than 6%, in four more than 7% and in two more than 8%. Although the bad results of 1917 brought down the test period, Pennsylvania Lines West in those three years averaged 6.26% on property account. Panhandle, on the other hand, earned an average of only 5.03% on its property account in the test period.

The desirability of distributing Pennsylvania Company's income over a wider property account furnishes a motive for removing any question as to whether Panhandle is really a part of the Pennsylvania System.



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A PENNSYLVANIA INTERURBAN TRAIN

Electric locomotives supply the traction power on this, one of the really busy lines running into New York City

New York Central Next?

Whether New York Central makes a similar move with respect to Michigan Central and Big Four will depend a good deal, I should think, on the confidence of the management in its ability to continue the rate of earnings of the two subsidiaries under corporate control. In the test period, Cleveland, Cincinnati, Chicago & St. Louis averaged 5.28% on its property account and Michigan Central 5.50%, but results were very different under Federal control in 1918 and 1919.

While it is not accurate, it is at least indicative, to apply 1918 and 1919 operating income to average property account in the test period, for the investments did not increase at any such rate as the earnings. Big Four's 1918 operating net was at the rate of 7.73% on its test-period investment, and its 1919 operating net at the rate of 6.81%. Michigan Central's 1918 operating net was at the rate of 9.32% on its test-period investment, and its 1919 operating net was at the rate of 11.60%.

If the management concludes that operating results will continue at such rates as the foregoing, the need of making sure that Big Four and Michigan Central are actually parts of New York Central System becomes urgent. In the case of Michigan Central, the parent company, which owns $16,819,000 out of a total of $18,738,000 of the subsidiary's stock, has formulated a plan of merger. New York Central owns $30,207,000 out of a total of $47,028,000 Big Four common stock and reports ownership of none of the $9,998,500 preferred.

It may also behoove another management to make sure that Colorado & Southern is a part of Chicago, Burlington & Quincy system. In the test period, Burlington earned 7.02% on its average property account and Colorado & Southern only 3.04%. A complete merger here, under the meaning of the Railroad Act, would provide a very practicable barrier to the operation of the recapture provision. Burlington owns $23,657,500 out of a total of $31,000,000 Colorado & Southern common and reports ownership of none of the $8,500,000 first preferred nor of the $8,500,000 second preferred.

For the purposes of section 226 of the Railroad Act, it is also interesting to inquire whether Burlington is a part of Great Northern and Northern Pacific, and if a part of either, of which, for these roads divide ownership of virtually all the Burlington stock.

I have not attempted to canvass the entire railroad situation, but I have no doubt that a careful study would develop a number of situations similar to those described.

Creditor Roads

The acceptance by several creditor roads, and notable among them Union Pacific, of section 209 of the Railroad

Act—the section continuing Federal rental for six months after March 1, 1920—occasioned a good deal of surprise and comment. The explanation commonly offered was that these roads feared to provoke Federal discrimination by exciting the animosity of the Railroad Administration and possibly of the Commerce Commission, with its nearly unlimited power of discretion, but there is another reason.

Section 226, providing for recapture of excess income, says: "In the case of any carrier which has accepted the provisions of section 209 of this amendatory Act the provisions of this paragraph shall not be applicable to the income for any period prior to September 1, 1920."

In the test period Union Pacific earned 6.72% on its average property investment, and Federal rental was practically the same as standard return in the case of this company. While the present property account is greater, the increase is not enough to diminish the ratio of income below 6%. If Union Pacific had elected to operate for its own account in the six months from March 1 to September 1, it would have assumed the risk of earning less than rental and have been obliged to divide part of its income with the Government in case it earned the equivalent of rental. By taking the course it did, Union Pacific gained six months in which to perfect a suit to test the constitutionality of the recapture provision, or to give its income wider distribution over a larger system by the acquisition of extensions, or both.

It has occurred to me that Union Pacific, by buying Senator Clark's half interest in the San Pedro road, could obtain a system extension weak enough to serve the utmost end.

Roads like Pere Marquette, Western Pacific, Nickel Plate and Cotton Belt, which have rejected section 209, are in a different position from Union Pacific. While practically assured of earning more than their respective rentals, they can scarcely hope to earn more than 6% on their property accounts at the tariffs which will be in effect from March 1 to September 1. Although a part of their incomes were subject to recapture, they could hardly suffer as much therefrom as they would by accepting a continuance of standard return, which is grossly inadequate in all instances.

Valuation Decision

The decision of the United States Supreme Court on railroad valuation proves to be of much less importance than indicated by the fictitious decision originally announced in the press. When it was erroneously announced that the Court had directed the Commisison to accept present, rather than cost value of lands, most commentators rightly concluded that the roads having the largest investments in terminals would profit greatest, because the increment in urban property has been greater than in rural. If there be any profit for any road in the real decision, the reverse of this result may be expected.

In valuing the property of the Kansas City Southern, the Commerce Commission had declined to receive testimony on severance value, and the Court merely directed the Commission to receive such testimony. The consideration bestowed on the testimony is still in the discretion of the Commissioners, but it is reasonable to assume that, after having heard the evidence, they will not refuse to give it due weight.

It is idle to attempt to speculate on the value of the decision in dollars to the roads as a whole or separately. To reach any definite conclusion on this subject, one would have to know the minds of certain members of the Commission who have not yet received their appointments. The order is probably worth something to the roads as a whole, and it is probably worth most to those roads who purchased their rural rights-of-way through highly developed agricultural regions. Roads like the transcontinentals, that received their rights-of-way as public grants, would profit least.

For Their Own Account

Of the roads that elected to operate for their own account from March 1 to September 1, rather than accept Federal rental and refund a possible earned excess to the Treasury, the most important are Southern Railway, Pere Marquette and Western Pacific. Of these three, the first is in a very different position from the other two.

Whatever the six months may bring forth, it is certain that the operating statistics of these three roads, beginning with March, will again become of direct rather than of indirect interest. While the operating nets of most of the roads until after August, 1920, will be of interest only as indicating what may be expected of the properties when they begin to operate for their own account, the results of these three roads will have a direct bearing, for better or for worse, on the corporate finances. For this reason, it behooves security holders, or those who contemplate becoming such, to study the operating returns of these three roads very closely.

The announcement of Southern Railway fell like a bomb in railroad circles, and was so unexpected that even yet the motive behind the action has not become perfectly clear. One conclusion, however, can be accepted—the management of Southern has a sincere and abiding faith in the possibilities of the property. Anyone who continues to doubt these possibilities must entertain a doubt of the judgment of the directors.

Southern Railway earned 158.2% of compensation in 1918 and 57.1% in 1919. The former is at the rate of about $11 a share on the common stock, while the latter represents about 85% of fixed charges. It is clear that the management expects, therefore, that 1920 will be another 1918 and not another 1919. One would make Southern a rich system; the other a bankrupt system.

For January Southern reported net railway operating income of $2,511,704, but this included back mail pay covering a period of about two years. January mail pay was $2,406,115, compared with $144,381 for January, 1919, and, if the difference of $2,261,734 be assumed to be back pay, the actual net for January was only $249,970. The Railroad Administration assigns 6.228% as January's ratio of the traffic year and the application of this percentage to Southern's results in that month would indicate $4,100,000 for the year 1920, compared with rental of $18,653,893. It is manifest that Southern must not lose much time in improving January's showing.

Pere Marquette reported net operating income of $3,814,051 for 1918 and $6,680,357 for 1919, compared with rental of $3,748,196, a small surplus in the first year of Federal operation and a large in the second. With November, however, Pere Marquette began to fall off, and in December reported operating net of only $83,323, compared with $662,112 for December, 1918. Operating results in 1919 were at the rate of about $8 a share on the common stock.

For January Pere Marquette reported

Photo by Underwood & Underwood.

AN IMPORTANT WESTERN TERMINAL

Panorama of the yards fronting on Lake Michigan at Chicago, one of the greatest shipping centers of the world

net operating income of $6,894, compared with $215,104 for January, 1920. Mail pay in January was $484,703, compared with $24,690 in January, 1919. If the difference of $460,013 be assumed to be back pay, Pere Marquette actually operated at a deficit of $453,119 in January. The result is probably a carry-over from the coal strike, and represents in part the difficulty motor car manufacturers have had in getting materials.

Western Pacific reported net railway operating income of $3,546,456 for 1919 and $2,575,300 for 1918, compared with standard return of $1,900,350, from the acceptance of which, as adequate compensation, the company has appealed. Standard return is equivalent to about 4% on the preferred—the rate the company is paying, although the stock is entitled to 6%.

Western Pacific's January net of $444,676 includes $59,182 mail pay, of which about $55,000 is an increase over 1919. This would leave $389,676 as the actual net for January, or an annual rate of $6,257,000. The application of other income, charges and the full 6% preferred dividend would show an equivalent of about $8 a share on the common stock.

Thus, of the three principal roads that have elected to operate for their own account as of March 1, Western Pacific is the only one whose January results hold out much promise. It is probable that the showing of this company was indicative, while those of the others were not.—Penn., Vol. 25, P. 761; So. R'wy, Vol. 25, P. 705; Pere Marq., Vol. 25, P. 702; West. Pacif., Vol. 25, P. 761.

Computing-Tabulating-Recording Has Record Year

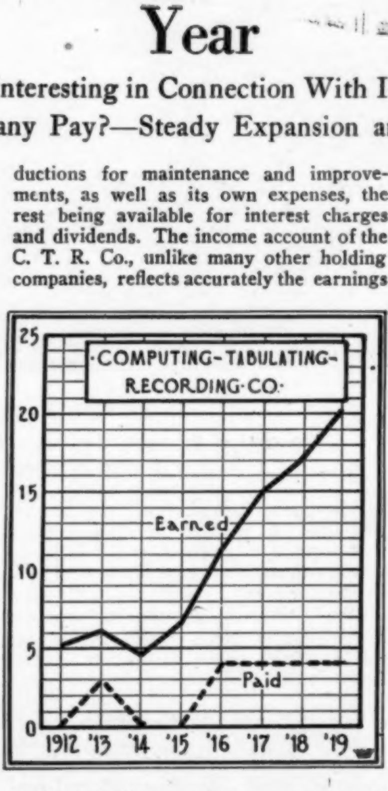
Large Undistributed Earnings Interesting in Connection With Issue of New Stock—What Could the Company Pay?—Steady Expansion and Progress

A WORKMAN starting work in the morning punches a time-clock—a Computing - Tabulating - Recording product, most likely. Passing the office, he sees a bookkeeper making out the pay list on a tabulating machine—also turned out by C. T. R. On his way home, he drops in at the grocery store to buy a pound of butter—and the automatic scale that registers his purchase is a C. T. R. machine. At his home he may meet the census taker, who is gathering information that will eventually be put down on cards with holes punched through them, at the Census Bureau in Washington, so that they can be electrically and automatically sorted, classified and added up by the statistical tabulating machine turned out by a subsidiary of C. T. R.

These are only a few of the ways in which the products of the Computing-Tabulating-Recording Company have been winning recognition. The range of these machines is wide, including time-clocks, computing scales, adding machines, and general devices for the automatic handling of statistics. The company itself is a holding concern. The company's subsidiaries, the Computing Scale Company of America, the Tabulating Machine Company, the International Time Recording Company, and the Bundy Manufacturing Company, are controlled by complete ownership of stock, common and preferred, and the company has as well a controlling interest in the American Automatic Scale Company, of Chicago. Of these companies, the Computing Scale Company, in turn, has four subsidiaries, as well as a consolidation of various Canadian interests, known as the International Business Machines Company, Ltd. The International Time Recording Company also has three subsidiaries.

The financial structure of the Computing-Tabulating-Recording Company is therefore rather complicated. Its properties include plants in New York State, Illinois, Ohio, Michigan, Indiana and Canada, and branch and sales offices cover the entire United States, as well as the major European cities.

The subsidiaries have followed the policy of turning in their net profits to the holding company, which makes deductions for maintenance and improvements, as well as its own expenses, the rest being available for interest charges and dividends. The income account of the C. T. R. Co., unlike many other holding companies, reflects accurately the earnings



of the subsidiaries, which are the actual operating companies. This showing has been very satisfactory, and for the last six years has shown a steadily improving tendency. At the same time the company's dividend policy has been most conservative, as the accompanying graph shows. It could undoubtedly afford to pay more than it does. Since its organization in 1911 the company has earned $83 a share, and has paid out in dividends $19, leaving $64 a share in surplus, or otherwise accounted for.

Part of these unpaid earnings has gone into reducing the funded debt, which has been cut down by $762,100. In the same period the property account has been cut from $17,701,377 to $16,956,861 by the accumulation of a property reserve which in 1918 amounted to $2,532,630. At the same time the surplus has increased from $2,393,684 to $4,829,849.

With regard to working capital the company is in a strong position, having as of December 31, 1918, about $42 a share. The increase in accounts receivable from $1,703,996 in 1912 to $2,911,959 in 1918, and of inventories from $832,686 to $2,975,112, shows a considerable increase in the amount of business done, though no statistics on this point are published.

On the basis of the property account as listed in the company's report for 1918, the net tangible assets for each share of the company's stock amount to $146 a share. This property account includes plant property, equipment, machines, patents and good-will, and in view of the company's earnings does not seem to have been inflated. The patents and good-will, especially, being based upon patents which practically give the company a monopoly on the majority of its products, are of great value.

Capitalization

Recently at a special meeting of the stockholders it was decided to increase the capital stock from 120,000 shares authorized to 200,000, of which 104,827 are now outstanding, and at the same time to change the shares from a par value of $100 to no par value. This is believed to be necessitated by the legal requirement that shares of $100 par value offered for subscription cannot be offered below par, while shares of no par value can be offered at any price. As the company pays at present only $4 a share in dividends, it is plain why the shares are selling well below par. It has also been provided that not more than 25% of the present capitalization, or 26,206 new shares, shall be offered during the current year. The new funds are said to be required by the growing business of the company, which expands with the general expansion of the nation's business, which utilizes its products.

Senior to the stock is an issue of $6,078,500 of sinking fund gold 6s, due in June, 1941, the sinking fund requiring the purchase or redemption of these bonds at not over 105 and interest, to the amount of not less than $100,000 annually. The bonds are a direct obligation of the company and are secured by deposit of the stocks of subsidiary companies. At current prices of 83, the bonds

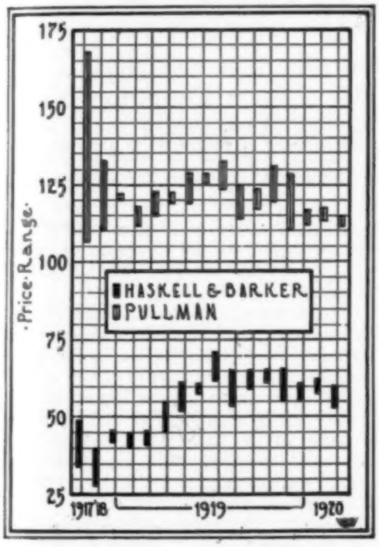
(Continued on page 837)

Haskell & Barker and Pullman Companies In Favorable Position

Return of Roads Will Benefit Equipment Companies—Earnings Little Affected by War—Increased Domestic and Foreign Demand—Plants and Properties Good Physically—Market Position of Stocks

By **HOWARD W. ALAN**

DURING the recent irregular course of the stock market, practically all the equipments were outstanding features. Despite the signing of the railroad bill and the court's decision that the United States Steel Corporation does not,



as organized, violate the anti-trust laws, the demand for equipment stocks was far greater than that for rails and steels. With the return of the railroads into private ownership and operation, there set in a desire on the part of these owners, to bring their properties back to that state of efficiency which they enjoyed before the Government began to operate them.

It is therefore not surprising that all equipment corporations look forward to at least three years of prosperity on domestic orders alone. During that period the roads are expected to spend in the neighborhood of $3,000,000,000 for cars, locomotives and rails; the order for 2,100 refrigerator cars which was recently placed with the Pullman Company and the Haskell & Barker Car Company by the Union Pacific Railway can therefore be regarded only as the forerunner of a revival in the entire equipment business.

Business Declines Somewhat During 1918

During 1918 the manufacturing department of the Pullman company (which was organized in 1867 with an authorized capital of $120,000,000 of $100 par value, all of which is outstanding), was operating on a 65 per cent capacity. Nevertheless, it earned more than 10 per cent on the investment in this department. The freight car department was operating at 50 per cent of capacity chiefly because of lack of material and labor. Very few passenger cars and practically no sleeping cars were manufactured during that period, although they constitute a very important part of the business. What little was done was derived mostly from Government orders. Early in 1918, an order was placed for 4,500 cars for service in France. The signing of the Armistice in November, 1918, caused the cancellation of a large shell order, which the company had on hand; but it was well protected against such contingency by the large amount of regular business both on hand and in sight.

Operations during the past year were also hampered by labor conditions and the shortage of materials. In August, a contract was signed by the company with the Railroad Administration, whereby its return was fixed at $11,750,000 per annum. The Federal compensation was $200,000 less than the company's claim but was liberal and left a balance available for the stock of more than the dividends required, that is, 8 per cent per annum. In October the Packard Motor Company placed an order for 4,000 automobile bodies, estimated at $2,000,000, and the Edison Company one for 50,000 talking machine cabinets at about $5,500,000. These contracts will no doubt yield a substantial profit; nor are they expected to affect the company's car building activities which are beginning to increase markedly. Among other large orders placed recently are one from Southern Pacific, one from Atlantic Coast Lines, and one from passenger cars for Belgium. Because of the company's influential directorate which includes such men as James P. Morgan, Robert T. Lincoln, and Harold Vanderbilt, we have every reason to expect profitable business for some time to come, especially because of the recent amendment of the company's charter. According to this amendment it may "manufacture other articles consisting or partly consisting of metals, wood, or other substances, and to sell or lease such articles.

Pullman's Plants and Properties

The Pullman Company owns and operates plants for the production of drawing room, sleeping and dining cars, and the manufacture of passenger and freight cars for railroads; it also owns 7,711 cars and 12 leased cars of various types, owns the capital stock of Pullman R.R., Union Palace Car, Woodrull Sleeping & Parlor Coach, and 99 per cent of the Mann Boudoir Car. In 1913 the company assumed also operation of the parlor and sleeping cars of the N. Y., N. H. & Hartford Railroad.

A HASKELL & BARKER PRODUCT

The steel cars in use on the I. R. T. subways in New York City have the record for carrying the most human freight of any road in the world

HASKELL & BARKER AND PULLMAN COMPANY

Four-Year Income Statement

(In Dollars Per Share)

	Balance Available for Stock		Dividends Paid		Surplus		Working Capital	
	P*	H. & B.†	P.	H. & B.	P.	H. & B.	P.	H. & B.
1916	10.33	....	8.00	....	2.33	....	18.66	....
1917	11.33	3.16	8.00	.75	3.33	2.41	21.66	22.54
1918	11.09	9.28	8.00	3.00	3.09	6.28	18.98	29.99
1919	10.61	16.30	8.00	3.75	2.61	12.55	....	40.98
1920	....	12.35	....	4.00	....	8.25‡	....	....
Annual Average	10.84	10.27	8.00	2.88	2.84	7.40	19.73	31.14

*For year ended July 31.
†For year ended January 31.
‡Exclusive of taxes.

Practically throughout the entire period of the war Haskell & Barker's operations were somewhat hampered by conditions which upset business in general, chiefly by the shortage of labor and materials. The constant increase in the needs of transportation, however, brought about an acute shortage of cars which could not easily be remedied. But the uncertainty of industrial conditions during and after the war, caused by the transition from war production to peace-time pursuits, and the uncertainty which surrounded all equipment companies, has not had a very serious effect upon the company. Business on its books amounted to well over $30,000,000 which is sufficient to tide it over the period of reconstruction, and there were even rumors concerning an increase in the present dividend rate of $4 per annum.

In Strong Position

For the year ended January 31, 1920, the company's balance sheet showed cash, including U. S. certificates of indebtedness, amounting to about $5,000,000 compared with only $2,473,468 in the year preceding, or $23 and $11.32 a share respectively on the 220,000 outstanding shares of no par value. In the past three years the company has almost doubled its working capital as can be seen from accompanying table, and is absolutely free from liabilities except current bills.

Earnings so far have been quite satisfactory. In the past year the company carried approximately $12.50 a share, or more than three times the required dividends. At the present operating capacity, earnings from the repair department alone ought to be sufficient to cover the annual dividends. Domestic orders are beginning to come in in large numbers. Some foreign orders have been declined chiefly because of the long-time credits which are asked. Miscellaneous business is increasing constantly, and returns from this source are expected to be substantial.

H. & B. Plant and Properties

The plant of the company which was organized in 1916 with a capital of $1,250,000 consisting of 250,000 shares of no par value, of which 220,000 are outstanding, comprises about 117 acres of land and 34 buildings equipped for the construction of steel and wood freight equipment of all types. It also has foundries for the manufacture of chilled iron car wheels, and iron and brass castings; it owns 5 hydraulic presses, ranging from 250-1,500 tons capacity, a 750-ton power press, various other presses, cranes and necessary metal and wood working machinery; also locomotive cars and cranes for handling materials at the plant. The annual capacity is about 22,500 freight cars, 180,000 wheels, and 31,000 tons of iron and brass castings.

Taken as a group, the equipment stocks ought to prove attractive purchases. Haskell & Barker has never been singled out for exploitation and the possibilities for market appreciation are worth considering. At the present price of around 65 it yields approximately 6.67%.

Pullman, on the other hand, with large domestic orders in sight and considerable inquiries from abroad, a record of continuous payment of 8% dividends, has also good prospects. At the prevailing price around 115 it yields about 7% annually, and may be considered a fair business man's investment with a tinge of speculative possibilities.

Securities We Would Not Recommend and Why

Suggestions from Members of Our Staff as to Issues They Would Prefer to Avoid Under Present Conditions

NOTE—The brief comments included in this department represent frank personal opinions, which are impartial but of course not infallible. If any misstatements or exaggerations are noted by officials or others well informed as to the various companies mentioned, we shall be glad to have them brought to our attention so that further investigation may be made.

GRANBY CONSOLIDATED.—This company was harder hit than most of the coppers during the poor year of 1919. Its earnings for the fiscal year were a deficit, as the Irishman might say, amounting to about $10 per share, largely on the strength of an $8.75 dividend paid during the year on the basis of nothing at all. The real trouble with the company, however, is that its properties are gradually becoming depleted. The Hidden Creek and Phoenix mines have already been written off, and some of the company's Alaskan properties are believed to be about ready for the same fate, notably the Midas, Mamie and It mines.

An examination of the balance-sheet shows some depressing facts. After some $6,000,000 had been written off the property account in 1918, the company was able to show for 1919 only $24,033,374 of total assets. When from these are deducted current liabilities of $6,108,745 (which are about $500,000 in excess of current assets), and a bonded debt of $1,799,800 to which have already been added $2,500,000 of debenture bonds, the remainder of about $16,000,000 has to be further examined. In the first place, inventories are carried at $5,355,009, compared with previous figures of $1,900,000 and $2,670,000, indicating much unsold copper to be liquidated and a possibility of inflation. In the second place, the real estate, machinery, etc., account, which, we are told, is less depreciation, is being carried at $8,689,473 compared with $2,038,186 in 1913, while the actual tonnage treated showed a decline from 1,279,869 tons of ore in 1913 to 1,007,862 in 1919.

Granby has had a good but variable earnings record in the past, but while theoretically the difference between earnings and dividends since 1915 should equal about $56 a share, we find the profit and loss surplus as carried on the books equivalent to only $7 a share. At its present price of about $42, Granby is selling higher than Chino or Magma, which are superior to it from the viewpoint of earning power, ore reserves and financial strength.

The company is, however, resourceful, well managed, and the stock is selling very low now so would not be inclined to take a large loss partly because the stock seems to meet with support from some well informed source around 40-45 and ought to do better if the anticipated move in the coppers materialize. But, holders should watch future developments with care, with an occasional eye on prices.—G.

Delatour Beverage.—The stock of this company hit Wall Street during the 1919 boom, and took the speculative fraternity by storm for a while. Underwritten between 8 and 10, it lost no time in hitting the high-spots betweex 20-25. The par value is $10 and we last heard of it at 12 in the November, 1919, smash in the market. The company makes lemon soda. It also makes Delatour ginger-ale and other soft-drinks, and now the weather is getting warmer and John Barleycorn is breathing his last, would not the able operators in this stock care to put it up again to let some of the little fellows out?

Looks to the writer as if that 50,000 shares, or $500,000, was discounting the future somewhat and perhaps at a more moderate price level—say about 10—something is capable of accomplishment. Delatour Beverage shows the folly of trying to follow the crowd during boom times. —D.

Keystone Tire & Rubber.—This stock has enjoyed a very spectacular market career considering the relative unimportance of the company and small amount of stock outstanding (slightly over $3,000,000). The concern was organized in 1912 to purchase defective tires by contract with a number of manufacturers, these "seconds" being marketed through the company's chain of thirty retail stores

and six hundred other dealers. Earnings did not amount to a great deal until 1917, when they suddenly increased to $853,000 or 56% on the stock (par $10). Annual dividends were then inaugurated at the rate of $1.20, which has been continued to date; but the company also disbursed three 15% stock dividends, one in 1918 and two in 1919, and this caused a wild advance in the price of the stock, culminating in a high of 126½ last July.

Earnings for 1918 were $5.21, or lower than in 1917, and income for the first half of 1919 ran at the annual rate of $5.95. Such earnings were handsome enough for a $10 stock, but they certainly did not justify the high prices which it attained. But the stock was taken in hand by an active and successful pool and was advanced rapidly through the usual process of rumor-fed manipulation. The principal factor in the advance was doubtless the expectation of stock dividends. Certainly the regular cash income of $1.20 a year could hardly furnish the basis for so much excitement.

The purchaser of a stock paying large stock dividends is apt to forget that he is in reality "pyramiding" his income when he buys at high prices. He is assuming that he will be able to "cash in" by selling his allotment of new stock before the price of the issue declines. But by the time dividend-day comes around he often finds that the market has "discounted" the stock dividend long before and that the price has declined so far that he is a considerable loser. This is, at least, what happened in the case of Keystone, for a purchaser at the top price around 126 in July discovered that on the day the stock dividend became payable, September 15, his old and new stock together were only worth about 72. And before the end of the year the price fell to 38½ and the descent continued in 1920 to a low of 25.

Recently the stock has recovered some lost ground, being quoted at present around 36. There are some signs of renewed pool activity, but while it is quite possible that the stock may enjoy another spasmodic advance, investors should remember that an issue earning only $5 or $6 during a period of unusual trade prosperity is not justified in selling permanently above the present price level. Indeed, it is quite possible that the price may even drop to around par in the course of a year or two, when the present abnormal demand for automobiles begins to abate.

The investor who expects a stock to *stay* at high levels merely because of generous stock dividends is like the man who hopes to pull himself up by his bootstraps: he may jump high enough, but he will always find himself back on the ground eventually. About the only safe and consistent guide in estimating the permanent price-level of any stock is earning power—past, present and future—and the investor who is not thus guided will consistently lose—unless, perhaps, he is familiar with market psychology and can take advantage of other people's delusions. But that, of course, is speculation.—E.

The Comstocks.—Speculation in the mining shares of the Comstock Lode has become a religion. Like other doctrines of the unknown, it is based on faith. Of all the familiar tenets, it most closely resembles the Chinese ancestor-worship, for it is founded on the belief of sons and daughters in the infallibility of their forefathers.

Everything about the Lode and the financial structure of its properties formerly favored speculation. Each detail from the geological structure to the financial form was made to contribute toward the wildest speculation the world has known. The Lode was a series of very rich kidneys occurring at intervals in practically barren rock. The companies were capitalized for from 100,000 to 200,000 shares, of $1 par value, which were quoted at varying times from one cent asked to more than $900 bid.

John Smith, who one time bought Cons. Virginia for ten cents and carried it up to $960 and back again, told his sons, who told his daughter, never to part with the stock. Thus, John Smith's granddaughter, who has hung around the San Francisco Mining Stock Exchange until she has come to be known as a "mudhen," has been scrubbing floors for the past twenty years to pay assessments on her stock. She is one of many devotees of the cult of ancestor-worship.

Moreover, the market for Comstock shares is supported by the glamour that still attaches to the names of the highly successful, just as some newspapers are sustained by the reputations of great editors fifty years after the celebrities have passed. There are many who cannot forget that Flood, Fair, Mackay, O'Brien and Keene made millions in Comstock shares.

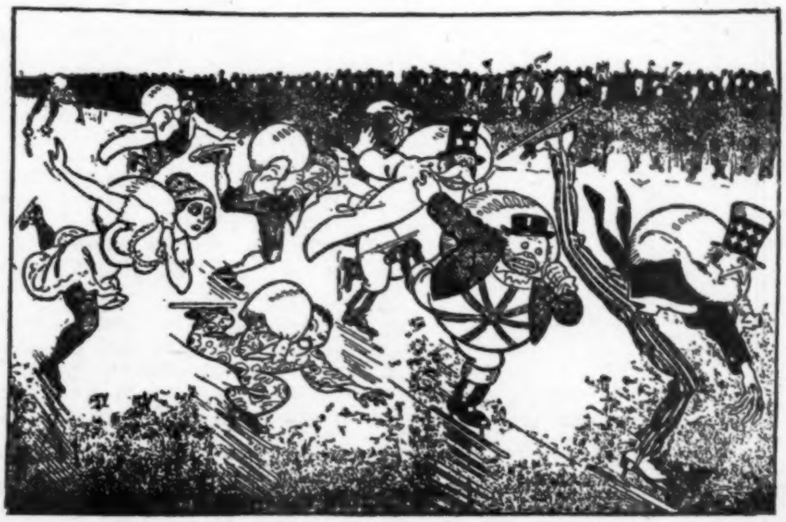
Did I say speculation in the Comstocks was a religion! I should have said a disease. It used to be a venture in which one engaged. Now it has become a habit to which one is addicted.—R.

White Caps Mining. — The market action of the stock which is dealt in on the New York Curb, has been rather sensational in the past month, but proved a big disappointment to the holders, who anticipated a recurrence of the previous high prices. Approximately two years ago the stock, the par value of which is only 10c, was selling as high as $2.35 a share. Last summer when practically all the mining stocks showed considerable activity, White Caps was quoted at around 33c a share; but when current rumors concerning increased operations and earning capacity proved groundless, the stock declined to a low of about 8c, which decline was aided considerably by the levied assessment of 3c per share during the early part of June, 1919.

The mine of the company, which was incorporated June 7, 1915, under the laws of Nevada, is of some promise and is being developed by responsible parties. But the ore is refractory to ordinary methods of treatment and the results are therefore very slow. For the last two years the company has been operated on a deficit and there is nothing which would indicate immediate improvement. Development work is being pushed ahead and those who wish to hold the stock for a *very long pull* may be enabled to reap the benefits of their patience.

At the present price of about 13c a share we should prefer to let the stock alone, and advise our readers to do so.—W.

The Exchange Crisis as Europe Sees It



The figures in the above picture which was taken from the Christiania "Hvespen" present approximately the position of the various exchanges. The dollar leads the racers followed by the Sterling and the Yen, with the Scandinavian countries and France close by. Italy is seen in the background with Germany all the way in the rear.

Investors' Indicator of Industrials

The **Dividend rate** given covers regular declared dividends on the yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The **yield on price is based** on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings' columns indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should make careful Comparisons, including former years. They should also read the Financial News and Comment for additional information. If a yearly subscriber, our Inquiry Department may be consulted.

Companies Which Have Reported for 1919.

	Dollars Earned Per Share 1915	1916	1917	1918	1919	Present Div. Rate	Recent Price	Yield on Price %	
Amer. Agricul. Chem. com...	10.97	20.57	21.11	35.01	10.34	$8	87½	9.2	Prospects very bright.
Amer. Beet Sugar...........	9.50	14.30	30.55	10.58	3.86	8	94	8.6	Based on production and present price of sugar, outlook seems good.
Amer. Can	5.19	12.31	21.84	7.55	5.56	0	47	0	Has large working capital.
Amer. Car & Fdy...........	.76	2.38	27.37	30.64	32.34	12	138	8.7	Revival of equipment buying by railroads.
Amer. Cotton Oil...........	7.05	6.99	4.55	5.14	6.08	4	47	8.5	Cotton seed cut down by short cotton crop.
Amer. Hide & Leather pfd...	7.38	12.64	13.56	18.35	20.73	7	111¼	6.3	In strong financial position.
Amer. Linseed	.....	1.82	5.82	5.77	16.05	3	83	3.6	Profiting substantially from earnings of Nucoa Butter Co. subsidiary.
Amer. Locomotive	13.10	36.06	21.80	16.64	41.05	6	100¾	5.9	Large foreign and domestic orders.
Amer. Smelt. & Refg........	16.80	31.73	24.14	7.29	4.00	4	65¼	6.1	Mexican mines operating again after long shut-down.
Amer. Steel Fdries..........	1.20	19.89	30.19	13.69	7.55	3	46½	6.4	Present conditions and earnings satisfactory; distribution of stock dividend likely.
Amer. Sugar Refg...........	4.99	18.46	20.09	16.45	13.93	7**	129	5.4	Production smaller.
Amer. Tobacco	20.05	22.73	25.25	35.45	31.83	20‡	265	7.6	Makes important deal with Italian Government.
Baldwin Locomotive	7.14	6.09	34.53	21.76	21.88	3½	130½	2.7	Bright outlook for increased earnings.
Barrett Co.	21.19	32.84	20.54	18.77	10.25	8b	123	6.5	Sales falling off considerably.
Bethlehem Steel	112.50	286.30	43.20	21.00	19.90	5c	95	5.3	Book value of common about $225 a share.
Burns Bros.	12.11	10.03	21.27	18.35	13.70	10d	119	8.4	In view of government intervention prospect not especially bright.
Butte & Superior............	33.37	31.79	0.94	2.17	3.63	0	26¼	0	Has good prospects.
Central Leather	10.82	33.14	30.42	10.44	30.11	5	85⅝	5.9	Company's surplus trebled.
Chino Copper	7.67	14.40	11.27	4.66	1.59	1.50	34½	4.3	Poor result of operations cut dividend rate.
Colo. Fuel & Iron..........	.....	.....	11.15	7.51	—1.67	3	37	8.1	Sales of coal for forward delivery made in satisfactory volume.
Continental Can............	12.05	22.38	32.63	13.86	17.08	7	91¼	7.6	Demand for Company's product continues to grow.
Corn Products Refg.........	10.62	20.39	38.05	29.01	23.60	4f	91½	4.4	Good earnings may lead to higher dividend rate.
Crucible Steel	5.39	45.80	42.12	48.25	31.29	12	237	5.1	Foreign demand large and output approaching maximum.
Cuba Cane Sugar............	.....	17.36	7.63	1.25	4.84	0	46¾	0	Increase of number of grinding mills to increase production.
General Electric	11.57	18.31	26.50	14.77	21.80	8g	159	5.0	Large volume of orders necessitates capacity expansion.
Goodrich, B. F.............	17.17	12.76	14.50	25.67	25.09	4	68	5.9	Great domestic and foreign demand.
Gulf States Steel..........	.....	30.25	34.83	9.96	1.20	0	67⅛	0	Larger output and reduced production cost to help earnings.
Inter.* Nickel	3.33	6.83	7.78	5.79	3.22	0	21¼	0	Business and financial position improving.
Kelly-Springfield	7.16	9.19	12.03	20.78	13.20	4h	127	3.2	Demand greater than production.
Maxwell Motor	6.55	30.18	30.72	5.71	8.57	0	34¾	0	Consolidation completed; production increasing.
Mexican Petrol	4.93	15.79	10.23	14.13	15.00	10	193¼	5.2	Large demand for fuel oil helps earnings.
Midvale Steel	1.44	21.46	35.58	29.21	5.29	4	46⅝	8.5	Mills operated at 75% of capacity.
National Biscuit	9.52	8.10	9.87	11.63	12.36	7	116	6.0	Has large surplus.
Nat'l Enam. & Stamp........	2.02	11.67	23.39	3.94	20.25	6	76	7.9	Does not fear foreign competition.
Nevada Cons. Copper........	2.78	7.51	4.83	1.70	.61	1	14⅝	6.8	All departments in operation at regular rate.
New York Air Brake.........	13.43	82.15	18.94	20.53	6.24	10	109	9.2	To manufacture motor trucks.
Pressed Steel Car..........	3.60	15.00	10.04	24.61	27.12	8	100	8.0	Manufacturess more than 15% of output of entire country.
Pullman Co.	8.79	10.32	11.36	5.44	10.61	8	119	6.7	Has large orders from domestic railroads.
Railway Steel Spring........	3.09	20.49	32.32	18.38	16.16	8	97½	8.2	Has large working capital; outlook for 1920 very good.
Ray Cons. Copper...........	3.08	7.65	6.60	3.05	1.20	1	19	5.3	Expects to resume full tonnage production.
Republic Iron & Steel.......	6.50	47.67	51.88	22.22	1.30	6	103¾	5.8	Labor troubles and higher cost cause sharp decline in earnings; has large orders on books.
Sears Roebuck	17.57	26.55	19.29	17.63	24.44	8	225	3.5	Gross sales show no diminution.
Sloss Sheffield	.53	14.44	15.73	15.03	21.00	6	74	8.1	Advance in prices more than offsets increased cost and higher wages.
Studebaker Corp	27.46	26.14	9.11	10.39	28.54	7	102¼	6.8	Sales for 1920 estimated at $150,000,000.
Tobacco Products	2.31	5.44	9.32	8.79	6.83	6j	69⅞	8.9	In better position.
United Fruit	16.12	27.97	26.72	28.01	32.06	12	198	6.1	Larger earnings and good outlook justified higher dividend rates.
U. S. Cast Iron Pipe pfd....	2.55	—10.91	11.18	9.24	—4.20	5	54	9.3	Prospect for immediate improvement slight.
U. S. Rubber	10.80	17.75	28.83	30.86	26.00	8	107½	7.4	Advance of prices to increase earning capacity.
U. S. Steel	9.96	48.46	39.15	22.10	10.17	5	101⅜	4.9	Going after more export business.
Utah Copper	11.03	24.46	18.46	11.66	4.30	6	75	8.0	Erection of own power plant to help earnings.
Va.-Carolina Chem.	7.55	10.39	10.92	24.24	18.09	4m	72	5.6	Indications point to another prosperous season.
Westinghouse Electric	2.37	10.22	12.56	10.68	20.87	4	52	7.7	To rival record showing of 1919.
Woolworth, F. W............	13.19	15.57	16.72	12.43	17.11	8	124	6.4	Gross sales steadily increasing.

1919 Earnings Not Reported

	Dollars Earned Per Share 1914	1915	1916	1917	1918	Present Div. Rate	Re. cent Price	Yield on Recent Price	
Allis Chalmers	.....	.49	8.59	11.37	11.62	0	41⅝	0	Has $17,000,000 unfilled orders.
American Woolen	—.06	6.40	15.32	40.42	21.36	6	80½	7.4	Labor troubles to reduce profits.
American Zinc	1.53	54.92	139.52	11.08	—.26	0	19	0	Zinc market in very good position.
Anaconda	.....	7.16	24.85	17.04	11.59	4	61⅛	6.5	Large output expected; to manufacture fertilizer.
California Petrol pfd.......	11.54	7.80	8.44	12.44	16.43	7	70	9.8	Has paid off back dividends on preferred.
Great Northern Ore.........	.54	.70	1.39	—1.50	3.02	0§	40⅜	0	Net from mine royalties sufficient to maintain a $4 a share dividend.
Green Cananea Copper.......	1.97	1.04	7.05	5.05	6.87	0	35	0	In favorable position but resumption of dividends still a matter of future.
Inter. Agricul. pfd.........	.65	—7.47	9.80	9.31	14.89	5	78½	6.4	Has had a very trying year but conditions growing better.
Inter. Harvester	.....	.....	.....	25.24	28.14	6	127⅛	4.7	Russian plant continues operations.
Miami Copper	1.65	4.56	10.39	6.63	7.04	2	23¼	8.5	Conditions much improved and advance of stock likely.
Natl. Lead	3.73	4.86	6.16	15.45	14.46	6	80½	7.5	Maintains conservative policy.
Pan-Amer. Petrol.	.....	.....	.....	5.80	5.58	6	97¼	6.2	Estimated sales for 1920 about 40,000,000 barrels.
U. S. Food Products*.......	2.28	4.64	10.30	14.83	31.13	6	64¼	9.4	Expects to do large foreign business.
U. S. Industrial Alcohol....	1.94	12.60	36.14	54.67	51.67	8	93⅛	8.6	Will export products.
U. S. Smelt. & Refg.........	1.61	13.93	20.49	5.14	8.75	3	68	4.4	Expects most prosperous year in history.
Willys-Overland	10.86	13.19	15.57	16.72	12.43	1	24⅝	4.1	Has begun manufacture of cars in England.

*Formerly Distillers' Securities Corp. **$3 extra. ‡1% extra. C—1% cash extra. c—5¼% extra. d—10% cash extra. e—2% extra. f—2% extra. g—4% extra. h—12% stock dividends. j—10% extra. m—2% extra. §No regular dividend; has made two distributions of $2 each in April and October.

How I Handle My Own Funds

Chapter X—Averaging Down the Cost of an Investment—Putting In and Taking Out

By RICHARD D. WYCKOFF

A GREAT deal of money is lost or tied up by people who make a practice of averaging. Their theory is that if they buy a security at 100 and it goes to 90, it is that much cheaper, and the lower it goes the cheaper it grows. Like all Wall Street rules and theories, this is sometimes true; but there are a great many times when a security will decline in market price while its intrinsic value and earning power are shrinking even more swiftly.

While a decline in price is often due to a slump in the general market for bonds or stocks, or both, or owing to some circumstance affecting a certain group of stocks, it also frequently occurs that the price is going down because of an inherent weakness in the company's affairs or a diminution of its prospects. Knowledge of such an influence is often confined to the few who are in close touch with the company's affairs. Sometimes there is a gradual development toward the unfavorable side; then again there may be an overnight happening which causes a radical change in former estimates of value.

Whatever the cause of a decline, the question of averaging is one that puzzles people who have bought at higher prices and are wondering whether averaging is not a good way out. Very often it proves to be the way to get in deeper. Hence, in order to intelligently judge whether to average, it is necessary to know what caused the decline.

I remember, a few years ago, buying a certain stock at around 45. Sometime after I bought it the price declined to about 30, at which point I afterward learned the stock was underwritten; so that to the insiders everything above 30 represented profit.

The company was doing a splendid business but the stock has been badly handled, and those who were responsible for its market action ran away and left the new baby on the public's door-step. Knowing that the stock was in the hands of the public, I did not average at 30, but waited until it got down to around 15, then I bought an equal amount. This I sold at ten points profit which marked my original cost down to $35. The stock then declined to 12 and I bought again, re-selling at 16, reducing my cost to about 31. Some months later it advanced to 38, where I sold. This let me out about even, allowing for interest.

These transactions ran over two or three years and serve to illustrate a good way of averaging out on a bond or stock which has been disappointing in its action. It is a method employed by large interests who, as previously described, often work on a much closer scale and take advantage of all the small variations in the market.

Reasons for Averaging on This Stock

Why did I buy the stock when it was down? And why didn't I sell at a loss? Because I made investigations through the company's officials, and found that the corporation was in a very prosperous condition, having reduced its obligations and increased its earning power during the time when the stock was declining from 45 to a fraction of that figure. It was a case where intrinsic values were on the increase while the market price was decreasing.

Thus I kept myself always in a position where I could buy more in case it went still lower and by selling on the rallies I provided the funds for repurchasing. Having bought the first lot (to average around 15) I was then in a position to sell it on a rally and re-buy it on a decline, so that whichever way the market went I would benefit. Had the price declined to 10 and then 5, I would probably have bought an equal amount or perhaps double the quantity at the low level—always with my eye on the compass, which was the company's physical, financial and commercial condition.

Stocks like this sometimes decline of their own technical weight, that is, the amount of shares that are pressing in liquidation, combined with an absence of support; or they may be put down—that is, artificially depressed by those who are desirous of accumulating at the low levels. In this case I believe there was a combination of both influences.

Most people make their mistake when averaging, by starting too soon; or, if they are buying on a close scale, say one point down, they do not provide sufficient capital to see them through in case the decline runs two or three times as many points as they anticipate. I recall a friend who, after seeing Union Pacific sell at 219 in August, 1909, thought it very cheap at 185 and much cheaper at 160. That made it a tremendous bargain at 135. He bought at all those figures. But at 116, his capital was exhausted and, as they put it in Wall Street, "He went out with the tide."

Eighty-five or 90% of the business, investment and speculative mortalities are due either to over-trading or lack of capital, which when boiled down are one and the same thing. And those who average their investment or speculative purchases supply in a great many instances, glaring examples of the causes of failure.

Are You Putting in or Taking Out?

Years ago, when Weber & Fields formed one of the star theatrical attractions in New York, they used to have a scene in a bank where one of the team was the banker and the other the customer of the institution.

The "official" observing his "customer" at the wicket, made the very pertinent inquiry, "Put in or take out?"

I was reminded of this today when thinking of the number of people who come down to the Street year after year, and with varying results (mostly bad, I must agree), keep on putting in and taking out until they either make a success or a failure of it. And I am continually asking myself, as a sort of test question, whether in putting in or taking out I am making progress or going backward. Like the frog who was trying to jump out of the well, I sometimes slip, but every year I can see that I am making progress.

There are seasons when it pays me to stick very close to shore, because by reason of other influences my judgment is not up to par. Sometimes, however, I am stubborn enough to keep on fighting through these periods, because no one can stay in the security market for a great many years without growing used to punishment. It has already been explained that success means more good than bad investments or ventures, so the readers of previous chapters will understand just what I mean.

Everyone should occasionally sit down and take account of stock—not securities, but his own ability, judgment, and what is most important, results thus far obtained. If he finds that the past few months or years have been unsatisfactory and unprofitable, judging from the amount of time, thought, study, and capital employed, he should suspend operations until he ascertains the cause; then he should set about to cure it. This can be done by study and practice (on paper or with ten share lots or single thousand dollar bonds if necessary) until he is confident that he has overcome the difficulty.

It may be that he is a chronic bull and finds himself in a bear market. I have frequently discovered that I was out of tune with the market, although I am never a *chronic* bull or bear, but always the kind of an animal the situation seems to call for.

It has been a great advantage to me, however, to have gone off by myself at times and figured out just where I stood, and, if things were going wrong, why? I find that it is more important to study my misfortunes than my triumphs.

(To be continued)

Big Business Must Be Understood

"America is a country founded on democratic principles. These principles are ample to ensure the rights and liberties of all who are worthy of the name Americans—and with those not worthy of the name we should have no compromise. So long as we all respect them, realizing that we are bound by mutual interests and that no one group can secure permanently an unfair bargain at the expense of the others, these principles are safe.

"Unless we each recognize the other's problems, conflict is inevitable. Only as we shoulder individual responsibilities shall we continue to succeed nationally. The citizen must comprehend business, for this country's progress is built on business activity, and what injures business injures the nation as a whole. Investment is essential to business progress and investment will not be made where there is constant harassment of capital."
—J. Ogden Armour.

Building Your Future Income

Your Bank Account and Its Relation to Your Future Income—Moral and Material Value of Losing Sometimes

WE are often asked, how much is necessary to start a bank account, how large a deposit do banks require maintained, how much is required to start, and why should any one keep *any* money in the bank not drawing interest?

The bank account is intimately related to every financial transaction, and forms a large percentage of the elements of success or failure.

Should every investor, large or small, have an account? There is only one answer. No investor can afford to deprive himself of the moral and material advantage of at least having a checking account, and should not make payments in financial or business transactions otherwise than through the medium of checks. No sum is too large or too small to be handled in a businesslike way, and the permanent record created by the cancelled voucher is better evidence than a regiment of talkative witnesses.

The still greater advantage is the tab the owner is able to keep upon his affairs, his expenses, outgoings, and savings. It is difficult to be thrifty without a checking account.

* * *

NO fixed amount is necessary to open an account. There is no law on the subject. It pays to find out which bank is best adapted to your requirements, and what its unwritten law on the subject of "balance kept good" is.

As a general rule, National Banks by reason of their close supervision and small capitalization, also absence of branches and familiarity with their communities are best qualified to serve the small investor. If their capitalization is not more than $100,000 they welcome checking accounts of $200 upwards, and would not kick powerfully we think, if an ambitious young man, with only $100 to start with, should interview the cashier and ask the privilege of banking facilities.

Better place your ideas before the cashier, and not trouble the president until you have some trouble worth while. The cashier is pretty nearly the whole works in the majority of our National banks, and understands the requirements of income builders.

The larger banks, especially those in the big cities, because of their larger expenses, seldom care to start an account with less than $500, and are rather more insistent on the subject of the customer's balance being maintained at that amount.

They are, of course, proportionately better equipped to swing bigger business, and the rich investor with a large income and thousands at his command may find it better to deal with the big institutions.

* * *

BUT why lose interest on $200 all the time? *You* would not do anything for nothing, and there's no reason why the bank should not make something to reimburse itself for the expense of running your account. Banks do not put out deposits at large interest, and they would be lucky to make 4% clear on every $200 in their possession. This interest, $8 annually, is not a princely reward for the service rendered, the accuracy and safety required, and the advantage it gives the depositor in his community, in business, and among all his friends, relatives, and acquaintances.

A man with a bank account is, potentially, a good citizen on the road to financial independence, and that is the reason the banker is prepared to carry an account for a merely nominal return of about $8 annually. The customer with $200 average balance might develop into a capitalist with $2,000, $20,000 or more. Who knows?

If, from the customer's point of view, he is losing interest on the required balance of $200 or $500, this is one of those exceptional cases where it pays to lose: to give up present material advantages for the bigger oportunities to come later.

There is hardly an investor of importance who does not need his banker's help or counsel at some time or another, and it pays to lay the foundation of a cordial relationship.

* * *

AN astonishing number of substantial wage-earners do not keep a checking account; and fully one-half of these can hardly afford the *luxury* of not owning one. Although a fair percentage of these have savings-accounts (because they believe they receive interest on every nickel as fast as deposited), the advantage in savings-bank interest is probably lost through the waste and extravagance that flows through the loose fingers of those who carry their checking accounts in their trouser-pockets.

A Specialist in Cats and Dogs

Every Dog Has His Day—Advantage of Outright Buying—Speculation with Its Teeth Extracted

NOTICING that you occasionally write something about the experiences of your successful subscribers who have succeeded in making money by investment, I am tempted to give you some of my experiences.

Like most others about whom you write I have succeeded in making quite a bit of money on a shoe-string, but unlike them, have selected a different type of security. I suppose in the strictest sense you would call my operations "speculation" and do not know whether I am entitled to take my place among your stories of Success. However, I will tell you what I have been doing and your readers can judge.

As you know, a certain class of stocks listed on the New York Stock Exchange habitually sell at a low price, usually between 10 and 25—seldom higher. They are commonly known as "cats and dogs" and the only people who buy them, as a rule, are supposedly those who don't know any better, or have money to burn, or have a screw loose somewhere. In addition to all these desirable qualities, the speculators who are attracted to their low price like "stepping in where angels fear to tread," which is another way of saying they have more nerve than discretion.

However, I have done a good deal of thinking for myself, having had to make my own way in the world, not born with a golden spoon in my mouth (nor a copper one for that matter) and have been compelled to rely on my own judgment most of the time. The result has been that although I have made bad mistakes in the long run I have sort of muddled through satisfactorily.

I learned very early that every dog has his day, and a study of exchange prices showed this to be true in the case of the most vicious of them. So I laid out a plan, roughly as follows:

Buy a selection when times seem favorable.

Pay cash, take delivery and put them away for good profits.

Touch nothing but stocks listed on the New York Stock Exchange.

Buy five or ten to enable me to buy a similar lot in case of a [illegible] decline, and nothing otherwise wrong.

Do not hold more than 10 of any one issue; and if the list of low-priced issues is exhausted (stocks selling between 10 and 20) continue to buy among those selling between 20-25 or 25-30.

Always take good profits when possible, but never fail to sell when the price doubles.

It would take too much space and time to give you an analysis of all my purchases and sales, but I will indicate some issues that have given me satisfactory results.

Missouri Pacific.—Bought in 1916 at 23 and out same year at 35. Each year thereafter had orders in and repurchased at my old price of 23. Got out of one lot at 33 in 1917 as I was only looking for 10 points. In 1918 I missed selling, but sold two lots at 35 in 1919, which I again repurchased this year and am holding for 35. Am almost sure will get that price in 1920.

Rock Island.—Too high in 1916, but purchased at 18 and 20 in 1917 and 1918, getting out at 35 and 30, respectively. Tried to buy back at 20 in 1919 but finally raised my price to 25. Still holding this as the stock really costs me under 15. I intend selling at 35 and 40 this year, but may reduce to 35 if the bull market in the rails "peters out."

Colorado Southern.—I made some satisfactory turns in this in 1917, 1918 and 1919, always getting in at 20 (my fixed price) with orders to sell at 30. Could not sell at my price the first two years but got out of the lot in 1919. I rebought in 1919 at 20 and will now hold for 35, which I think it should make this year.

Kansas City Southern—Texas & Pacific—Pittsburgh & West Virginia—St. Louis & San Francisco.—This has been a wonderful group for my method of operation. Moves have been wide and although I have felt like kicking myself for selling too soon in the case of Texas Pacific and Pittsburgh W. Va., did not regret holding myself by the scruff of the neck, so to speak, and compelling myself to follow my plan. You would be surprised at the ridiculous profits I have made in these, and I still hold them at prices that are about equal to minus nothing. They will have another whirl in 1920, I expect, and am already figuring where they can let me off. My prices have gone up this year because of the H. C. L. and other factors but then the cats-and-dogs among the rails should have their day this year.

American Linseed.—I got my share out of this in 1915, 1916, 1917 and 1918, buying at 10, 20, 20 and 30. Sold in 1915 at 20 (went higher but obeyed my rule) and in 1916 at 25. Then tried for 35, which I didn't get in 1916, but sold two lots in 1918 at 35 and 40. Raised the price because I thought it owed me something for no dividends and the delay. It got out of my line in 1919, rising from 44 to 89: no longer a cat-and-dog. I regret the loss of income through American Linseed becoming respectable.

International Agricultural, American Ice, Distillers (old stock), American Malt, International Paper, American Writing Paper Preferred, Mercantile Marine and one or two others complete my list. They have all given me a handsome return, and when I look back at some of the prices at which I bought and afterwards sold it makes me smile to think of the ridiculous prices at which I bought. Occasionally I cannot help feeling just a little remorseful that I didn't decide in 1918 to change my plans a trifle and hold on for 10 or 20 points more—in other words, take a chance with profits.

But taking big chances has never been my plan, and I am not sorry.

Mistakes? Yes, I have made a few. I thought that Brooklyn Rapid Transit and Interboro Con. Preferred were cats-and-dogs but learned too late that they are plain yellow curs. Yet they may develop into a better breed if traction affairs come out of the muddle. It's not my plan to worry about conditions, or how the company looks and feels about it, because if everything did not look black at some time or another I would never have had a single opportunity to buy a puppy-dog.

Buying for cash, I have taken savings, put them aside and bought some more when I had $200 or $300 accumulated. When they went down on me, I haven't worried but bought 5 more, and glad of the chance to do so.

Of course, I have been speculating in a way, but believe that if speculation has dangers my methods have taken out most of the teeth that bite hardest.

What do you think about it?—J. T. M.

Our Answer

We will let our readers draw their own conclusions. It is sufficient to give the facts and let them judge for themselves that it pays to avoid margin speculation excepting for those who can see it through.

Your case proves that a definite plan is the right idea: patience a virtue that brings its reward sometimes: and cash buying the safest.

Do not agree about the "fools rushing in where angels fear to tread." A man who makes a *price* study instead of *analytical* study is no fool, since he knows the approximate technical position of the stock rather than the condition of the corporation.

INTERPRETING "TECHNICAL" CONDITIONS

In the study of so-called "technical" conditions of the market, a situation often appears which permits a double construction. Indications of various kinds are almost evenly balanced; some things might be interpreted in two different ways; and a trader not already interested in the market would be likely to think it wise to stay out until he could see his way more clearly.

Under such circumstances you will find it an almost invariable rule that the man who was "long" before this condition arose will interpret technical condition as bullish, while the man who was and remains short, sees plain indications of technical weakness. Somewhat amusing, but true.

APPEARANCES ARE DECEITFUL

The very moment when the market looks strongest is likely to be near the top, and just when prices appear to have started on a straight drop to the zero point is usually near the bottom. The practical way for the investor to use this principle is to be ready to sell at the moment when bull sentiment seems to be most widely distributed, and to buy when the public in general seems most discouraged.

Shekels from Shoe Shines

A Modest Beginning That Is Typically American—The Conservative Methods of a Young Man Who Seems Destined to Make Good

IN trying to give the experiences of some of our successful subscribers, we have endeavored thus far to confine our examples to those who have not fully matured their plans, and still have a future before, rather than behind them.

We receive thousands of letters from men and women in every walk of life. How diversified our family is may be judged from the fact that our subscribers include leaders of the business and financial world, the world's greatest comedian, an ex-Prime Minister, members of the various embassies both here and abroad, a Prince of the old French nobility occupying an honorable position with the diplomatic corps, as well as merchant princes without titles.

At the extreme end of the list, we find others not so highly placed, either in rank or this world's goods. But these subscribers are among those whose future is before them: whose modest fortune means much to the welfare of this great nation: and, let us add, those who by their frugality and care will later on be able to register loud grumbles at the growing extent of their income taxes.

We have with us this week a young man with a Greek name whose business it is to shine shoes. We are sure, from his statement of his own case, that he handles his 2 in 1 like the artist he is at his trade. A number of our present millionaires remember the days when they shined shoes or sold newspapers, and we have heard of several shoeshiners (past and present) whose wealth entirely contradicted every preconceived notion of that business as a moneymaker. At any rate, the present subscriber is clearly making good, and it gives us pleasure to present his interesting letter as a story of success.

Success is largely a matter of being a useful citizen, contentment with one's lot, and being ahead of the game most of the time. Our young friend wears the shoes of success, and we know he'll handle them with the same care as he does the material one's of his patrons. Here is the letter:

"I wish advice. Which of these two life insurance companies is more economical to me? I am 21 years old and I want to insure myself for $5,000. The New York Life Insurance Co. offers to insure me for $5,000 to cost me around $105 for 28 yearly payments, and the Western-Southern Life Insurance Co. offers to insure me for same amount, to cost me around $112 for 20 yearly payments.

"I have had this thing in my mind for a long time, and I am sure I can afford to do it.

"At present with my small enterprise, I can earn clear over $1,000 yearly income, besides what I invest in stocks: I mean income from stocks which I own. Maybe you will be surprised at my age. I am not the only one who has his own small business.

"At present, my brother and I have two shoe-shine small stores, and father works in a factory at labor, and each one of us has his own share of the business, but one treasury. We have also some more stockholders, but I am the only working member in the business at present.

"I will be very much obliged to you if you will advise me which of the two companies named you would prefer.

"I believe I shall do good to my future heirs and to my business."

OUR ANSWER

The two companies named have excellent ratings. The New York Life is an old established company with tremendous resources: in fact it is one of the big leaders. The Western-Southern is not so big, but also an excellent and conservative company.

An increasing number of our readers are consulting us about their insurance problems. We have several well posted insurance men on our staff and these inquiries are given careful and unprejudiced consideration. We are making no charge for this service, as we are especially desirous of making our "Building Your Future Income" department of practical help to readers of THE MAGAZINE OF WALL STREET

The rates are about the same, considering the terms offered, and in your place we would also be puzzled. If you have not already taken out your insurance, it would be a good bit of business to divide the policies among both companies.

As for the amount, namely $5,000, on the surface this would look large, but considering your income, your value to your brother, father, and the other stockholders, you would be doing the right thing to insure for a substantial sum like $5,000. Besides a little over $100 a year is not going to hurt you—and an insurance policy is only another form of conservative investment.

Apparently you own your income-producing securities outright, and this is as it should be for one in your circumstances. You have not mentioned them specifically, but it is evident that you are satisfied they are safe and conservative. It would not be a bad idea to invest some of the income from the business—that is to say, surplus earnings, in Liberty Bonds that are selling so low now, and some good "Baby Bonds," a number of which we always indicate in our Bond Buyer's Guide.

Did you see our article on "Insure your Partner" appearing in our February 21 issue? Since you have two partners—your father and brother—it might be as well to talk this over with the insurance agent, and let him explain partnership insurance to you. If the capital of your father and brother is also in the business, you might be able to insure them for a sum sufficient that will be payable to the *business* or to *you* in the event of their death: so that in the event of the unforeseen happening, you will not be hurt financially.

For a Young Woman

Generally speaking, what is usually the best policy for a woman to take? I am young and unmarried and have no one really dependent upon me.—E. L. C.

20 Year Endowment. This policy is a splendid savings fund. At the end of 20 years you would get back quite a little more than you had actually deposited, and in the meantime you would have been insured in the event of death.

Buying Your Future Home

A Practical Buying Plan That May Save Large Sums for Those in Moderate Circumstances—How It Works Out

By **CHANNING FOSTER**

SOME few years ago, the writer having taken unto himself a wife, and being fortunate enough to possess a few odd thousands of dollars in surplus set aside for a home, his thoughts turned seriously to real estate.

It is as well to explain that real estate, considered as an investment, has had no strong appeal for me in the past. Among a large circle of friends and acquaintances, including members of the banking fraternity, loan associations, real estate men, and private investors and speculators, I found few who bubbled over with enthusiasm on the subject. Some have made "their bit," but these were people who would have made good in any other line. The experience of private investors known to me has not been exactly fortunate; some of them who have gotten out even (at least they think they are "out even"), have been more than ordinarily well informed. The speculators have mostly lost, and the investors are mostly still hoping for the best to come.

My personal investigation showed that it required the shrewdest knowledge, soundest judgment, a mastery of a multitude of intricacies, everlasting vigilance, and unlimited patience to make real estate investment or speculation worth while. There are undoubtedly instances where big plums fall and others are ripening, but on the whole, real estate in general never struck me as a proposition for the laymen. I hope to have the chance of giving definite reasons in a subsequent article.

But, to my astonishment, when I spoke to the most experienced, to the cynical Missourians, and to the case-hardened losers, they were all unanimous on one subject. They all agreed that it was a poor policy to pay rent: a wise provision to buy or build a home for investment in comfort and right living. Also, that it was worth any reasonable sacrifice to secure "your own roof over your head."

The writer, still skeptical, commenced to look around, first for any kind of accommodation at any reasonable (or unreasonable) rental. Our readers probably know the conditions that have prevailed and need hardly be told that the search was worse than for the proverbial needle in the haystack. Anxiety gave way to desperation, and I finally decided to be slaughtered, if necessary, by grasping real estate owners and secure a home, if I had to part with my last dollar.

Here my prejudices received another rude jar. I found property owners quite human. Although real estate brokers were out to reap a golden harvest from the unprecedented demand for homes, they were extremely susceptible to a good argument, and "the color of the money." In other words, like the securities or the commodities market, it was a case of the buyer watching his step and not swallowing every bait at one gulp. Investigation, comparison, study, technical advice—all these things had their proper application in buying real estate, from a four-room frame house to a Fifth avenue mansion.

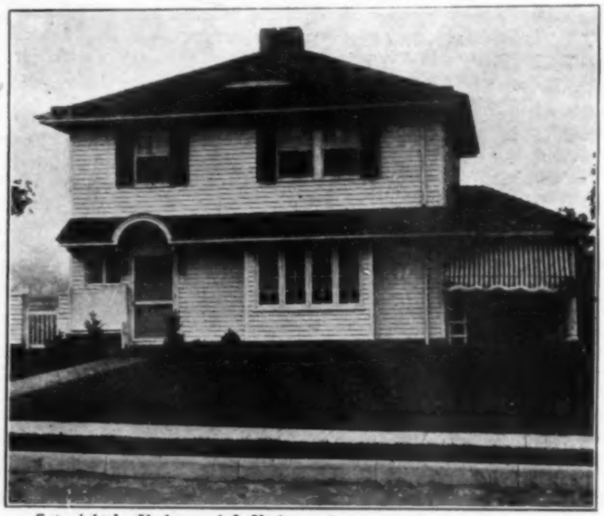
I found that two or three real estate brokers had the same property for sale, and each was asking a different price in many cases!

My problem was to find out how much the real owner really expected, and I had no occasion to go behind the back of the real estate men (who must also live), nor to deprive them of their just commission.

I arrived at true market values by comparing one property with another, getting the bed-rock offers on various plans of payment, finding out how much a particular property would be sold for with a large cash payment, and finally by consulting with local bankers. I found the bankers and mortgage societies the best informed on intrinsic values.

I made sure in each case exactly what first mortgage I could get—not from the owner, but from a savings bank or institution making it its business to loan on mortgage. I nearly always got the exact rock-bottom value by doubling the amount offered on first mortgage, and adding about 20 per cent. out of consideration for the great demand. Thus a certain house and land offered at $9,000, with a first mortgage offered by the owner of $4,000, was valued at $7,200 upon the following rough basis: mortgage offered by the X Loan Association, $3,000. Double this is $6,000, and 20 per cent. added makes the total $7,200. I could not go wrong on that house between $7,500 and $8,000, if I needed it badly. I bid $7,200, but did not get it. The next man paid $9,500 and sold for $10,000, but this did not alter my judgment as to its intrinsic value. I was not speculating in homes.

Another important discovery I made was that when an owner was in the market to sell, he or she usually desired to get out entirely; to have no further worry, taking part in cash, part in a second mortgage, and the rest in a first mortgage, together with the complementary worry of collecting interest, watching the property, collecting installments, getting after the new owner to pay up taxes, insurances, and to keep the property in repair. I discovered that *any* owner of suburban property out to sell would sell more cheaply if relieved of this anxiety, and placed in possession of the bulk—if not the whole—of the purchase price. The value of this relief I mentally assessed at 5 per cent. of the asked price



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AN ATTRACTIVE HOME IS A GOOD INVESTMENT

By comparing and studying realty values, a home may be purchased in a locality where values are stable and certain to steadily rise

for a large cash payment, and 10 per cent. for "all cash."

It also seemed more desirable, to me at least, that my creditor should be an institution or corporation making it a business to take these kind of worries. A corporation doesn't have a grouch, never gets ill, and doesn't suffer from temperament, which is a great advantage to the home-owner who has made up his mind to observe his end of the contract.

I decided, as a result of this investigation:

(a) To negotiate with any intended seller on a basis of a very substantial cash payment, say, $2,000 or more.

(b) To offer a definite sum for the property in cash.

My investigation along these lines proved my theory that 5 per cent. off was always acceptable in the case of a large cash payment, and 10 per cent. off for "spot cash" was usually a solar plexus blow to the high cost of living, buying homes, or any other transaction.

Better than all, I was no longer regarded as an unsophisticated prospect for speculative profits, and real estate men and owners alike came down to earth when they found me fingering my check book suggestively, and myself sincere and anxious to take a fair offering and give a reasonable price in good ready currency.

I secured my home in a Long Island suburb where real estate and homes have values as stable as United States Steel preferred. I bought here not only because of the stability or desirability of the locality, but because I felt that my hard-earned dollars were going into a locality that was made-to-measure for the minor capitalist. I took a good look around and decided that it was a growing district, unlikely to deteriorate, and with possibilities that land values would improve, and homes there grow more scarce as time went on.

My interest was not in a possible speculative appreciation in the value of my home; it will always have the same value to me no matter what my neighbor may ask for *his* shingles and cabbage-patch. But I feel that buying *as* I did, *where* I did, and *how* I did, even the investment aspect of the safety of capital plus the interest and dividends (the enjoyment of my home) left little to be desired.

From a monetary point of view, judges say that I did not *buy* that house—that it was a gift. Unofficially, I have had indirect offers of large profits on the purchase, even taking into consideration substantial sums spent for improvements. I was able to be generous with improvements and additions because it is my belief that the 5 per cent. or 10 per cent. saved by the method explained allows the luxury of improvements, even in these times of high costs of labor and materials.

I paid in full; no mortgages, no strings; the original owner got the purchase price without worry, and it left me free to negotiate a loan whenever I desired it, wherever I pleased, to make my own terms, and to choose my own creditor.

If I hadn't the ready cash, the benefit to me would have been no different. I would have negotiated along the same lines, for spot cash to the owner, and gone elsewhere for a mortgage.

BUY IN HASTE, REPENT AT LEISURE

When you have made up your mind on a stock you would like to own, take your time about making the purchase. Remember that we have big declines as often as once in three years on the average, and that it pays, as a rule, to wait three years in order to buy stock even 10 or 15 points cheaper. If a panic comes, don't lose your courage because prices are low—that is the best possible reason for having courage.

Unique Character of Hudson & Manhattan

Modeled on Lines of Traction Company — Is Actually a Railroad — Large Real Estate Investments

By **BERNHARD A. BERNSTORFF**

THE Hudson & Manhattan Railroad is rather a distinctive type of concern. In fact, it is quite unique in having the characteristics of a high speed traction line, similar to the subway of the Interborough Rapid Transit Company, together with the status of a carrier engaged in Interstate Commerce, and coming squarely under the jurisdiction of the Interstate Commerce Commission and of the Railroad Administration. It is, moreover, a real estate company with more than a fourth of its total income derived from the rental of offices, stores and land.

TABLE I—OPERATING RATIOS.

	Hudson & Manhattan.	Interborough Rapid Transit Subways.	Difference in Favor of Interborough.
1913	38.86	35.14	3.72
1914	38.58	34.76	3.82
1915	39.09	35.52	3.57
1916	39.72	37.83	1.89
1917	43.18	41.94	1.24
1918	50.83	58.37	*7.54

*In favor of Hudson & Manhattan.

The Hudson & Manhattan figures in this table are for calendar years; the Interborough's for those ending the following June 30.

Without going into the physical layout of the company, or into its control through the Hudson Companies with their outside interest, we may concentrate our attention upon the earning power of the company, and its bearing upon the worth of its securities. The fundamental fact to keep in mind in this connection is that the Hudson & Manhattan System represents an enormous cost in proportion to the gross revenues received, but that, as a partial offset to this disadvantage, the cost of operation is so low that ordinarily over 60% of the gross revenues are carried over to net. This very low operating ratio, compared with those of the Interborough Rapid Transit Company, leads to some interesting and important conclusions collected in Table I.

As the annual figures do not correspond exactly, the comparison is not precise, but is sufficiently so to indicate an exceptionally even trend of operating costs, and a tendency to gain on the Interborough. This ability to withstand higher material and labor costs so successfully is easily explained. It is not a reflection of any wizardry of management, good though the management be, but to increases in traffic well within the road's capacity, and necessitating but little addition to the amount of service rendered. In freight operating terminology, the train and the car load has been consistently increased. The figures contained in Table II will illustrate the point concretely.

On some of the rush hour trains practically the maximum car load has been reached, but there is still plenty of opportunity for increase in the off-hours and the tendency has every indication of continuing.

There is another aspect to this matter of operating ratio worthy of attention. Take the Hudson & Manhattan operating at 38% of its gross revenues, and a steam railroad operating at 76%, which is a fairly typical case. Assume that the cost of operating goes up 20%, which is quite in line with some recent experiences, and the result is portrayed in Table III, which pretty conclusively illustrates that a very low (honestly so) operating ratio affords a wonderful protection against influences which might be disastrous to a road with a high operating ratio, and assures exceptional stability of earning power.

The income accounts given in Table No. I show in concrete form the truth of the above assertion. The stability does not stop with railway earnings, but extends to other income, which is almost exclusively the net income from the rental of the Hudson Terminal Buildings. These buildings have been among the most popular and best rented office structures in the city. Of the gross rentals for 1918 $795,179 remained after payment of expenses, taxes and a charge for depreciation.

TABLE II—HUDSON & MANHATTAN R. R. CO.

	Passengers Carried.	Car Mileage.	Passengers Carried Per Car Mile.	Revenue Per Car Mile (Cents).
1912	5[illegible],079,194	7,960,413	7.31	45.66
1913	59,434,152	7,990,958	7.44	46.89
1914	59,990,257	7,946,639	7.54	47.20
1915	59,915,192	7,808,969	7.68	47.74
1916	66,183,630	8,140,056	8.13	50.18
1917	71,787,160	8,315,488	8.63	52.24
1918	79,964,374	8,506,848	9.40	59.67

TABLE III—OPERATING RATIO AND INCOME.

	Operating Ratio.	Net Income	Ratio Plus 20%.	Net Income.	Reduction in Net Income.
Hudson & Manhattan	38%	62%	45.6%	54.4%	12%
A steam road	76%	24%	91.2%	8.8%	63%

The financial structure to which the income shown applies, exclusive of the stock which we may disregard, consists of: Underlying bonds and real estate mortgages, $6,906,000; car trusts, $272,000; first lien and refunding 5s, due 1957, $37,521,234; total fixed interest bearing debt, $44,699,234; adjustment income 5s, due 1957, $33,102,000; total funded debt, $77,801,234.

The refunding 5s are now about 57 with current income return of about 9% and have some merits as a second grade issue backed by a stable but not wide margin of safety.

In 1916 the company had a very small working capital, and as there was little possibility of borrowing to meet any contingencies which might arise, it was decided to call in Stone & Webster and have them submit recommendations for putting the company in order to weather any storms which might arise. Stone & Webster reported the property to be in a high state of efficiency and maintenance, and the method of operation to be excellent, but recommended that the company create a reserve of at least $1,000,000, even though interest on the adjustment income 5s must be withheld. In accordance with this recommendation no interest payment was made on April 1, 1917, for the six months ended December 31, 1916. By the end of 1918, this reserve had been built up to $1,886,628.

On December 31, 1918, the company's working capital stood as follows:

Current assets	$2,893,486
Current liabilities	1,833,033
Net working capital	$1,060,448

The company has adequate current funds for its needs, there being little need for capital expenditures of any size.

In 1909 application was made to the New York Public Service Commission for authority to extend its line from 33rd Street and 6th Avenue to the Grand Central Terminal. This charter was granted the company but thinking it expedient, at that time, not to build the line, it renewed and extended the charter from time to time.

However, when this right expired on March 1 last, the Public Service Commission denied the company's application for a further extension. Having no alternative, the company has for the present time, at least, abandoned the idea, but it seems evident that when its financial position is such as to warrant the construction of this line, application will again be made to the Commission for another charter.

While the income 5s form the tail end of a rather large funded debt a point in their favor is that beginning with January 1, 1920, the interest became cumulative. In connection with this increased amount of fixed charges the company increased its schedule of fares, effective April 4, 1920, as follows:

TABLE IV—INCOME ACCOUNT.

	1918.	1917.	1916.
Operating revenues	$5,078,422	$4,427,006	$4,084,848
Operating expenses and taxes	2,924,312	2,219,904	1,916,244
Operating income	2,154,110	2,207,102	2,168,604
Other income	912,880	928,086	973,475
Total income	3,066,990	3,135,188	3,142,070
Fixed charges	2,447,813	2,448,339	2,419,935
Balance for income bonds	619,177	686,847	722,135
Income bond interest	....	....	662,040
Surplus	619,177	686,847	60,095
Earned on income bonds	1.87%	2.08%	2.15%

	Present rate.	New rate.
New York to Jersey City, Hoboken	5 cents	8 cents
33rd Street—Hudson Terminal	7 cents	8 cents

The fare between stations in New Jersey and stations in Manhattan, other than

the Hudson Terminal, that has heretofore been 7 cents is to be increased to 8 cents.

Inasmuch as the larger proportion of the Hudson & Manhattan traffic originates and terminates at the Hudson Terminal, on which line the fare is to be increased from 5 to 8 cents, it is safe to assume that this increase in fares will amount to a general increase of 2 cents per passenger, which additional revenue when based on the total number of passengers carried in 1918, will in itself provide a sum just short by about $60,000, of equalling interest on the $33,102,000 Income bonds. Taking this amount into consideration together with the $619,177 available for Income interest in 1918, it is plainly noticeable that with the normal increase in the number of passengers carried the company will be able to withstand this addition to its fixed charges.

It is my opinion that, if this increase, which has met with opposition from the City Commission of Jersey City and Hoboken, should be granted, the additional revenue and the increased value of the real estate securing the Hudson & Manhattan securities will attach a speculative feature to these bonds, which have already shown a decided enhancement in their market value within the past week.—Vol. 25, P. 769.

Chile Copper—A Mining Gibraltar

Huge Property Contains Almost Unlimited Potentialities—Results in 1919 No Criterion of the Company's Earning Power—Future Growth, Although Likely to Be Slow, Seems Assured

THE figures involved in the affairs of the Chile Copper Co. invite the use of superlatives. So tremendous is this property, so huge its production possibilities, one may be pardoned the resort to adjectives not generally warranted.

Hidden away in a district Americans never go to—a place the travelers haven't yet taken up—the Chile Copper properties stretch over a fair territory. The ore body from which the company derives its existence is said to be roughly more than a mile and a half long, and something like 1,700 feet wide. The ore already blocked out, on the basis of the amount of ore treated by the company in 1917, is enough to insure well over 100 years' supply; what it has in hidden reserves is not yet known; and the company's potential production, unless all authorities fail, can be described as limited only by the exigencies of the copper metal market.

Because the Chile Copper Co. was organized in an abnormal year, and because the copper markets since that time have been careening from peak-prosperity to comparative pauperism, it is practically useless to make any comparisons of the company's earnings and production figures. However, it is interesting to note that, with a clean-cut turn for the better materializing in the 1920 copper market; with Chile Copper 5-years older as a producer than it was in 1915; with surplus metal being rapidly moved, the common stock of this company is selling within a very few points of its lowest price record. In other words, Chile the prospect, with all its troubles ahead, was valued in our 1915 market at only a little less than Chile, a big potential producer, and with its most serious problems solved, is valued in the market today.

Why Chile Sells Low

It isn't necessary to go far to discover why Chile Copper stock is selling around 19 today, or only a little over four points above the lowest price at which it ever sold. The answer will be found to apply in the case of practically every copper on the list. Unfortunately for the conviction it will carry, the explanation links up with market "sentiment" and such intangible things, rather than with the figures. Were it not for the popular dismal attitude regarding the copper market and copper securities, Chile Copper, on the basis of its performances and proven earning power—let alone its prospects—would probably be selling nearer $30 a share today than $20.

Here are the figures in round numbers

HANDLING THE RED METAL

View of the powerful crushers, where the ore is broken up to prepare it for the smelting room

on Chile Copper production: In 1915 the company turned out about 11,000,000 pounds of copper. In 1916 this production had been nearly quadrupled to above 41,000,000 pounds; in 1917 it rose still further to 88,000,000 pounds; and in 1918, the four-year giant took no less than 102,000,000 pounds of "rich, red copper" out of the ground.

During that period, the common stock of the company rose from an early low of 17¾ to above 39, reacting toward the close of 1918 to 15½.

Earnings of the Chile Copper Co. have, of course, followed closely in line with the production figures. As per the accompanying table, a deficit of $146,000 in 1915 was converted into net income of $1,936,932 the following year; and the 1918 results brought the item of net income to the succulent total of $5,754,000.

The 1919 Reaction

The reaction in the copper trade affecting all producers and explained innumerable times in this publication as being due to the unexpectedly sudden cessation of hostilities, hit Chile Copper no less than the others. The result was that the encouraging results of previous years, so far as public sentiment was concerned, went by the board. From a satisfactory earner (considering its youth) with what even extreme conservativism would call tremendous potentialities, Chile Copper metamorphosized into what the casual observer would call a losing proposition. For the first two quarters of 1919 operations resulted in a deficit of $660,000 and $513,000, respectively; and for the entire year 1919 it is unlikely that the company will be able to show anything for the common stock.

Why, then, the enthusiasm? Briefly, because Chile Copper's 1919 performance was no more justifiably a criterion of its true abilities than was that of any other copper producing company during the same year.

A clever artist could, I think, illustrate quite aptly the picture of the three main divisions of the 1919 year of our copper producers. On the right of the picture he should have one figure, labeled "Huge War Requirements" disappearing in the distance; on the left, he should have a high cliff, labeled "Patriotism." On the top of the cliff there should be a great boulder marked "Unsold Copper for Use of the U. S. Government;" and in the center a group of little figures, labeled "Copper Producers," some of them struggling to keep the boulder from falling down and crushing them to death, others calling after "Huge War Requirements" to come back and help them as he had promised to do.

The point to be conveyed being that the copper producers who went too far in their super-human efforts to feed Uncle Sam's artillery in 1918 are not to be condemned as over-optimistic or unwise, nor to be judged by the burdens unavoidably imposed upon their patriotism. If there is any point at all in discriminating between statistics, the persons who set themselves to analyse the copper producers must fairly disregard 1919 as being entirely a year of "temporary" conditions and one demonstrating nothing of any great significance in the long run.

Chile Copper's 1919 results of little, if anything, for the common stock, are no

more a standard for valuing its shares than the price of tennis shoes in Labrador. In my opinion, if Chile Copper was worth $20 a share back in 1915 it is worth $30 a share today.

Chile's possibilities fall into the three natural sub-divisions of all copper producers. First, its property: consisting of a group of extensive claims brought together under the company organization in 1913, possessing the following estimated ore resources, positive and probable:

Oxidized ore, 336,000,000 tons, value 1.91%; mixed ore, 151,000,000 tons, value 2.98%; sulphide ore, 210,000,000 tons, value 1.84%; total, 697,000,000 tons, average value 2.12%.

Next in line come the company's facilities, too complex to be reviewed in detail here, but up-to-date in every respect and adequate to the great production possibilities of the company. Capacity at the mill is expected to develop to 27,000 tons of ore a day, which would bring annual output up to a possible 300,000,000 pounds of copper. Costs, which have, of course, been abnormally swelled during the last few years can, according to some estimates, be ultimately reduced to 8c a pound; and from a maximum production such as might quite possibly be required if the current rehabilitation of the copper market continues, earnings of Chile Copper available for the common stock should easily clear $4 a share.

As for the management, the house of Guggenheim stands as high in copper circles as that of the Rockefellers in oil.

CHILE COPPER COMPANY

Year.	Production.	Costs. Copper Pdcd. Per Pound.	Costs. Incldg. Sell'g and Delivery.	Net Income.	Stock Price. High.	Stock Price. Low.
1915	10,944,000	16.34c	18.55c	*$146,172	26¼	17¾
1916	41,305,477	11.75	15.46	1,936,932	39¼	19⅝
1917	88,458,110	16.10	19.92	5,440,613	27⅝	13
1918	102,138,514	15.32	17.88	5,754,253	24	14½
1919	76,718,008	.....	.....	....	29¼	16¾
January, 1920	7,508,000	.....	.....	....	21⅛	18¼

It must not be assumed from the optimism which a review of Chile Copper inspires that the company has no difficulties ahead of it, or that a straight upward course is necessarily in store for the common stock. Chile Copper has a funded debt of $50,000,000; and an additional $95,000,000 common shares outstanding, of par value $25. The company will have to cut costs by one means or another, transportation facilities must be amplified, and a continual improvement in the copper market must be registered. These developments will all require time and plenty of it, and persons anxious for a quick turnover of their money should not put funds into this company's stock. However, for those who would be willing to buy Chile now around 19 and hold the stock, even without dividends, for the time necessary, a substantially better price seems very probable.—Vol. 25, P. 679.

Jerome Verde Copper May Issue Rights

New Development Work Advised by the Consulting Engineer Will Probably Be Financed Through the Sale of Stock—Stockholders Urged to Vote at Coming Special Meeting

In view of recommendations from the consulting engineer of the Jerome Verde Copper Co., directors of the company are planning the provision of new funds for the purpose of furthering development work. It is strongly hinted by the management that the funds necessary will be raised through the sale of stock, the distribution of valuable rights to subscribe to which being under consideration.

Partial development in the Jerome Verde property of a highly mineralized zone, which has been found to contain very large, rich ore bodies to the south in the adjoining property, as well as the presence in this zone of one small ore body of sufficient richness to produce $147,000, are considered ample warrant of the additional development work contemplated.

A meeting of the stockholders of the company, in which the question of providing new funds for this development work is to be taken up, will be called in the near future. Considering the importance of this meeting, stockholders are urged to arrange for the immediate transfer of their holdings into their own name.

At the last two annual meetings of the company a quorum of stockholders was not obtained. It is emphasized that the character of the matter to be discussed at the coming meeting is such that the best interests of the stockholders would be seriously impaired were a quorum not obtained this time. Furthermore, in view of the likelihood that new financing will be suggested, stockholders who fail to vote risk depriving themselves of the privilege of subscribing to such new stock as might be issued, together with the "rights" thereto.

The report of H. P. Henderson, consulting engineer of the Jerome Verde Co., which led to the decision of the management to undertake the new development work, follows:

"The depth at which it is necessary to conduct operations, the amount of water which must be pumped, the character of the rock and the unusually high cost of labor and supplies, combine in making the development of the property unusually expensive and require operations at the rate of $10,000 or $12,000 monthly expenditure to secure reasonable efficiency. In spite of these conditions, since April, 1916, the Columbia Shaft has been enlarged and sunk to 1,060 feet depth, over 15,000 feet of drifts, crosscuts, raises and winzes have been driven and nearly 20,000 feet of diamond drill holes have been drilled. A body of ore at the southern end of our Main Top claim has produced over 7,800 tons of ore averaging 9.6% copper, from which smelter returns amounted to $147,000. During the last few weeks the ore has been exhausted above the 900 level. Although ore has been encountered fifty feet deeper, present developments have not indicated that this ore body contains an important tonnage of ore below the 900 level. No other ore bodies have yet been found, but a large extent of favorably mineralized ground has been exposed, which deserves much more complete exploration.

"At the beginning of the last fiscal year on October 1, 1918, the balance of available working capital amounted to $119,397. During the seventeen months of February 29, 1920, $203,748 have been spent for working costs, taxes and other necessary general expenses, of which $112,000 were provided by returns from ore shipments, leaving a balance of working capital on March 1, 1920, of about $26,000, which is not sufficient for any important amount of further exploration.

"It is now urgently necessary that additional working capital shall be provided if the development of the property is to be continued. Such funds should be made available without delay to permit uninterrupted operations, since a shut-down for any considerable length of time, with the consequent flooding of the mine with water and cessation of upkeep of timbering, would result in great damage to the workings through caving, which would prevent access to the portion of the workings where further development is most desirable.

"During the past two years the available working capital has been insufficient to carry on an adequate plan for the exploration of the property, including intensive work above or below the 1,100 level, where the character of exposures indicated more favorable conditions for ore above or below the level. Such work should be provided for. In connection with deeper exploration, it is important to note that development on the United Verde Extension property is now for the first time progressing at greater depth than the Jerome Verde 1,100 level. This work will not only give considerable light on the advisability of greater depth in the Jerome Verde property, but will tend to decrease the amount of water encountered by deeper exploration.

"The Main Top shear zone extends for 1,700 feet through the Jerome Verde property and is the northern continuation of the main shear zone of the United Verde Extension property, which extends for 1,500 feet across that property. This shear zone contains the main United Verde Extension ore body, which has already produced profit to the extent of

many millions of dollars, lying about 1,200 feet south of the southern boundary of our Main Top claim; the north United Verde Extension ore body, which has also been very profitable, lying about 900 feet south of our Main Top claim; and the Main Top ore body, which has produced $147,000 from our Main Top claim, and probably contains ore to a much greater value in the United Verde Extension within two or three hundred feet south of the south end line of the Main Top. A consistent series of ore bodies thus has been developed in this shear zone in the United Verde Extension property into the southern part of the Main Top claim, and there appears to be no reason why other ore bodies should not lie in the 1,700 foot northward continuation of the same shear zone in Jerome Verde property, especially as developments along this part of the shear zone show as favorable mineralization as much of the ground between and around the ore bodies to the south. Much favorably mineralized ground of this nature has been opened up during the last few months.

"This 1,700 feet of shear zone in the Jerome Verde property is far from adequately explored on the 1,100 level and very slightly explored above and below that level. As the three ore bodies described above lie at different elevations, there is ample inducement for a great deal of attractive exploration above and below the 1,100 level as well as on that level, with good reason to expect that an adequate amount of work will result in the discovery of ore, and good chances for the development of a profitable mine. Further exploration is also very advisable in other parts of the property.

"I strongly recommend that immediate provision be made for the financing of further development work."

Miami Copper's Finances Sound

Copper Situation Improving—Curtailment of Production Less Drastic Than in Other Companies—Strong Financially—Position of Stock

LARGE output of copper, with buyers assuming a conservative and somewhat uninterested attitude, and light demand from abroad during the latter part of 1919 caused a period of stagnation in the red metal hardly known in its entire previous history. The only bright spot in the situation was large domestic consumption, However, the critical situation confronting the copper companies has been safely passed; producers seem now on firmer ground, and the outlook is more encouraging. The domestic demand is expected to be continued at last year's rate at least, and a pronounced increase in inquiries from abroad is also looked for, depending largely on the development of the foreign exchange markets.

A number of helpful factors are already making their appearance. Domestice consumption is steadily growing, and Europe, too, is beginning to purchase essentials for purposes of reconstruction, these purchases increasing with the gradual improvement in foreign exchange. Production has now been cut down to about 45% compared with 1918, the record year in the history of copper, thus slightly curing the situation. As a result, the present accumulation of copper amounts only to about 550,000,000 pounds against approximately 1,000,000,000 pounds at the beginning of the past year.

The curtailment of Miami's copper production was by no means so drastic as that carried out by other companies, the result resulting in the output last year of 53,558,809 pounds of copper compared with 58,400,000 in the preceding year. By comparison, Miami was the seventh largest producer in the country for 1919. It is also of interest to note that the company does not depend on large sales agencies for the distribution of its output, since it sells its own copper, which has bee nturned out for a little over 12c. a lb. exclusive of taxes and other charges. At the prevailing market prices, viz., around 18.50c., it should show a substantial profit which will be considerably enhanced by the company's transfer of its low-grade ore bodies to "reserve," raising thereby the average extraction of copper to 38 lbs. per ton compared with 28 in previous years.

VITAL FIGURES ABOUT MIAMI.

	Production (pounds)	Income (in dollars per share)	Dividends Paid (in dollars per share)	Working Capital (in dollars per share
1914 ...	25,309,405*	1.65	1.50	1.60
1915 ...	42,723,045	4.56	2.25	3.88
1916 ...	53,962,395	10.39	5.75	8.81
1917 ...	43,863,699§	6.63	6.50‡	6.77
1918 ...	58,400,000	7.95	4.50	9.61
1919 ...	53,558,809	6.56¶	2.50	...
1920 ...	8,550,767†	...	.50**	...

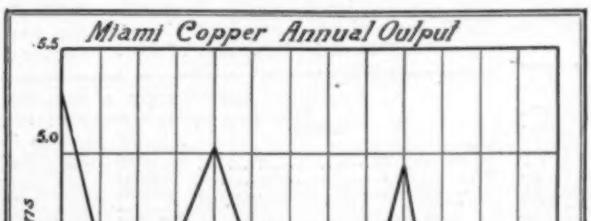
*Includes only period January-August; figures for the other 4 months of the year are not available.

§Mines were closed on account of labor troubles during the entire month of July, and were partially reopened in the latter part of August.

‡Excludes a special distribution of 25c for the benefit of the Red Cross and the Y. M. C. A.

†Covers only first 2 months of year.

**First quarterly dividend. ¶Estimated.



Miami's Early History

Miami, which was incorporated November 29, 1907, and has a capital of $4,000,000 of $5 par value, of which $3,735,570 is outstanding, is at present financially well fortified. The working capital has shown an increasing tendency and the reduction of the dividend rate from $2.50 to $2 per share, was chiefly for the purpose of conserving its cash resources. The properties extend over an area of 1,122 acres, consisting partly of patented mining claims; the rest being reserved for mill and power house purposes and for water rights. The mine proper is operated through a 4-compartment shaft, equipped with a main hoist, which has a daily capacity of approximately 10,000 tons of ore, and with an auxiliary hoist for the handling of timber and supplies. Both hoists are operated from their own boiler plant, using California crude oil as fuel, for which storage capacity for 1,000,000 gallons is provided.

Miami stock is not very active and may be classed among the few unexploited listed securities. The aggressive and at the same time conservative management of the company, as well as possibilities of large profits to be derived from the handling of both the oxidized and low-grade ores existing on the property, add to the attractiveness of the stock.

Another factor to be considered is the probability of a favorable decision in the Minerals Separation suit, begun in 1914. According to a statement made to the writer by an official of the company, the case of the plaintiff is becoming weaker and weaker, and Miami expects to come out victorious in the end. At the current rate of dividend and the prevailing market price of about $28 a share, a yield of more than 7%, Miami Copper is in a position to sell higher with the improved demand for copper metal which must sooner or later appear.

* * *

"It is not fit that the public trusts should be lodged in the hands of any, till they are first proved and found fit for the business they are to be entrusted with."—MATTHEW HENRY.

Empire Steel May Pay Off Back Dividends

Prosperous Company, Controlling Over 10,000 Acres of New Jersey Ore Lands, in Position to Reward Patient Stockholders

By R. M. BRYAN

THOSE who follow the securities traded in on the New York Stock Exchange are looking about now, due to the recent Supreme Court decision, for stocks in concerns that are known to have piled up large assets. But by confining themselves to listed stocks they risk overlooking important unlisted stocks which, in point of assets and earning powers, compare most favorably with those traded in on the "big board."

It will be recalled that, late in 1915, when investors and speculators were beginning to appreciate what the European war meant to industries in this country, some of the biggest stock market profits were made in industrials that were traded in only "over the counter," and which were therefore unknown to the great majority of traders.

CONSOLIDATED INCOME ACCOUNT, EMPIRE STEEL & IRON.

Gross income	$851,789
Depreciation	366,861
Interest	23,480
Total net income	$462,108
Reserve for tax	58,000
Preferred dividends	150,000
Net income	*$254,108

*Equivalent, before accumulated preferred dividends to $21.38 a share on the 11,890 common shares outstanding.

Among these industrials were such issues as Standard Screw, E. W. Bliss Co., Carbon Steel and Eastern Steel, and others. Those who were wise enough to buy these stocks when they were neglected, were able to make in a very short period of time, from 100% to as high as 700% on their investment.

What is more to the point, these same companies notwithstanding that they were termed "war brides" back in 1915 and 1916, are still making handsome profits; today, they are selling at the following prices: Standard Screw, 355@365; E. W. Bliss Co., 460@485; Carbon Steel, 90@95, and Eastern Steel, 90@95. Since 1915 they have been paying large dividends or bonuses in the way of stock distributions. Bliss has made distributions to common stockholders amounting to over $400 per share. Standard Screw in the same period has distributed approximately $175 per share. Eastern Steel, since 1915, has paid off accumulations on its two issues of preferred, of about 30% on its first preferred, and 93½% on its second preferred; also, it has paid 2½% quarterly dividends on its common shares since April, 1917, in addition to a special disbursement of 5% on this issue.

Empire Steel & Iron

There is one conservatively capitalized steel company which, back in 1916, began to attract some attention, but did not secure the same market following as the other companies mentioned. That is the Empire Steel & Iron Co. This concern controls over 10,000 acres of ore lands in New Jersey; and it operates four blast furnaces in New Jersey and in the eastern section of Pennsylvania. When in 1916, the common stock of this company was dealt in at as low as $17 a share, investors who looked into it were frightened away because some 35% of back dividends had accrued against the company's preferred issue, and this accumulation having to be paid off before the common could share in the company's profits or surplus. However, there was enough interest in this common issue in the late fall of 1916 to run it up to $78 a share; but because the directors of the company in 1917, 1918 and 1919, took no action to reduce the back dividends on the preferred below 32%, interest in the common diminished rapidly. The price of the stock, for about a year now, has averaged between $25 and $30 per share. And this despite the fact that the company has made handsome earnings since 1915 and has accumulated a surplus sufficient to pay off the entire amount of the accumulated back dividends on the preferred and leave a balance equivalent to $138 a share for every share of the common stock outstanding.

The question that naturally arises, when these figures are reviewed, is, "What adverse factor in this company's affairs causes its shares to sell so low?"

The answer is that investors have been too busy with other matters to give a study to the assets, liabilities and possibilities of the Empire.

To understand the situation in Empire Steel & Iron, a statement of its holdings, business, assets and liabilities is necessary. The capitalization is small. There are 25,000 shares of 6% cumulative preferred, par value $100, and 1,189 shares of common outstanding of par $100. This makes the total capital stock $3,689,000. The only other charge against the capital is an issue of $347,000 6% bonds of the Crane Iron Works, which Empire Steel owns, making entire capital and debt liability $4,036,000.

In the way of assets, the company carries its ore properties and plants on its books at only $5,217,750. It should be borne in mind, moreover, that this valuation of its ore bodies was made in 1913, at a time when the steel and iron business was very bad. At that time pig iron was selling around $14 to $15; while ores were selling 7½ to 8 cents a unit, compared with $42 pig iron and 14-cent per unit ores today.

This valuation, in the opinion of those who are well informed on ore values, is far too low for the present time. For instance, Lake Superior ores are now selling at about $7.50 per ton at the lower ports. Eastern Pennsylvania furnaces that use the lake ores have to pay railroad freight in addition, which makes these ores cost them easily $1.50 to $2 per ton more at their furnaces. Ores mined by the Empire are marketable at from 12 to 14 cents per unit at the mines, which is equivalent to $6.60 to $7.70 per ton.

Larger Reserves Than Wharton Co.

It will be recalled that when Replogle Steel was formed last year to take over the properties of Wharton Iron & Steel, a neighboring property to Empire, a Steel corporation engineer went over the property and estimated that it contained 100,000,000 tons of ore. Due to its larger acreage, Empire has been credited with having larger ore reserves than the Wharton property. However, until the large holdings of the company are fully diamond drilled, it will not be possible to more than estimate its potential output of ore.

On this point, at a stockholders' meeting in 1919, President Peckitt stated that the officials of the company were not in position to estimate with any accuracy, just what the ore reserves amounted to. He said that while they knew that they had 15,000,000 tons, some estimates ran as high as 50,000,000 tons. At the stockholders' meeting held in February of this year, he further stated that during 1919 they had proved by diamond drilling, 11,000,000 tons, and believed that when this was removed that they would find another 11,000,000. In the 20 years that the company has been operating, but 3,200,000 tons have been recovered, so that operating at the average capacity of the past four or five years, the company has ample ore now proved up to last it for twenty-five to fifty years.

EMPIRE STEEL & IRON COMPANY.
Consolidated General Balance Sheet, December 31, 1919.

ASSETS.		LIABILITIES.	
Property and plants	*$5,217,751	Preferred stock (par $100)	$2,500,000
Investments	146,075	Common stock	1,189,310
Cash	212,606	First mortgage bonds	347,000
Other current assets	1,755,572	Current liabilities	485,071
		Reserves	364,216
Total	$7,332,004	SURPLUS	**2,446,406
		Total	$7,332,004

*After deducting $3,623,528 reserves for depreciation and depletion.
**Equivalent, after deducting $800,000 due in accumulated preferred dividends to $138 a share on the 11,890 common shares outstanding.

It is very probable that at an early meeting of the directors, action will be taken to pay off the 32% accumulated dividends that are due on the preferred. This will take $800,000. If it is decided to pay off these back dividends by means of a stock dividend, then this would mean that the common stock would be immediately in line for regular dividends, as the earning power of the company is now so large, and apparently so safely assured for some years to come now, that the directors of the company would not find

much justification for further withholding from patient stockholders some return on their investment.

The Empire derives practically all of its income from the manufacture of pig iron. It has furnaces at Catasaqua, Pa., Macungie, Pa., Topton and Oxford, N. J. During 1919, when the slackening demand for pig iron was felt, the company began to remodel and repair some of its furnaces that had been operated pretty steadily during the three previous years. This means that during 1920, it will have a much larger furnace capacity, and due also to modern improvements, at one of its Catasaqua furnaces for instance, the cost of operation will be materially reduced. With the old furnaces, the company had an output of above 250,000 tons of pig iron per year. Production in 1916 was 212,160 tons; in 1917, 254,586 tons; in 1918, 204,297 tons; in 1919, 154,962 tons. Notwithstanding the decline in output in 1919, and also that the company sold its iron over the year at an average price of $2.50 per ton lower than for the year 1918, it was able to reduce its production cost by $1.75 per ton.

Outlook Exceedingly Bright

The outlook for the year 1920 is exceedingly bright. President Peckitt, at the recent stockholders' meeting, stated that the company had sold its output of pig iron over the first half of the year at about $42 a ton. This compares with a price of $28 a ton obtained last summer. Also, he announced, that part of the company's output for the third quarter was sold for what was considered a favorable price, and that it was further possible to contract on favorable terms for its output for the last quarter of the year.

The company is ably and conservatively managed. The output has been sold for many years under contract by Rogers, Brown & Co., who are the largest dealers in pig iron in the country. During its entire existence the company has suffered no losses from bad accounts.

It would appear that the immense ore bodies controlled by the Empire make it a property likely to be greatly desired by some of the larger steel companies. These properties are located within fifty miles of New York harbor. Mining is conducted throughout the entire year, as transportation is always open.

The accessibility of these ores to the large blast furnaces and steel plants in the east, makes them especially attractive.

In the lean iron years, of which there were many prior to 1915, foreign ores were imported in large volume for eastern furnace consumption. High vessel rates, as well as higher production costs, will keep these ores from serious competition for many years. About seven years ago, Spanish ores were being brought over for about nine shillings freight. Today, vessels are securing better than 100 shillings to take coal to Spain or equidistant points.

Empire Steel was organized in 1899. At that time, pig iron sold at $25. Within a year it dropped to $14. From 1900 to 1913, it ranged from $13 low to $24.50 high. When the European war broke out, it was selling between $15 and $16.

While steel was under government price restriction, $32 was the price maintained on Eastern pig. It is now selling around $43.

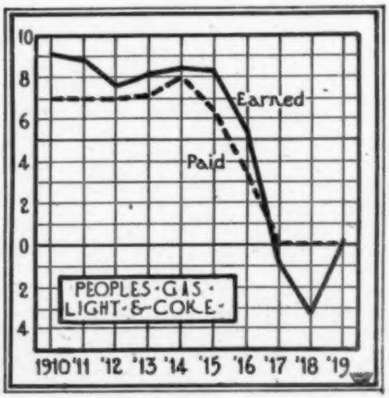
Position of Peoples Gas Light & Coke

Is Peoples Gas a Bargain at Present Prices?—What It Needs to Become a Dividend-Payer Again—Municipal Regulation Affects Company Unfavorably

THE end of 1917 marked the beginning of trouble for the Peoples Gas Light & Coke Co. of Chicago. In that year the City Council passed an ordinance of far-reaching effect, permitting the company to reduce the heating power of its gas, but compelling it to reduce rates, supply free mantles, and providing for a reduction of profits past a certain point. That year was the last in which the company earned as high as 1% on its capital stock; naturally, too, it was the last in which the stock sold as high as its par of $100, as dividends were passed at the end of the year and have not been restored.

The company has been operating a practical monopoly of the gas supply of Chicago since 1855, but of recent years has gone into the manufacture of byproducts and coke for metallurgical and other uses, which last items should add somewhat to its income. The 1917 ordinance referred to above, provided for reduction of the heating standard from 675 B.T.U. to 565, cheapening the cost of production; at the same time rates were reduced from 80 to 70 cents a thousand cubic feet, with 65 and 40 cent rates for larger consumers. In case the profits for any year should exceed $4,000,000, the consumers were to get from 25 to 50% of the excess profits. These provisions are to apply for five years.

A rate increase of 27½% was granted by the Public Utilities Commission of Illinois, effective Sept. 1, 1918. This was protested by the city of Chicago, and when in June, 1919, the company tried to get a further increase of 6%, the result was that rates were actually decreased 3 to 4%. The company is also tied up in litigation of great importance,



which has an estimated four years to run. It will decide the validity of the city's claim to $10,000,000 in rebates on alleged overpayments by consumers to the company.

The gas rate reduction of 3 cents per 1,000 cubic feet took effect last August, and will show its results in the 1920 earnings, barring a decided drop in production costs. Considering the state of the coal and more particularly the oil market, costs seem to be going up instead of down. Unless there is another increase of rates, therefore, it looks as if the earnings showing of Peoples Gas for 1920 may be worse than for 1919.

Earnings and Dividends

As the attached figures show, the earnings of Peoples Gas since 1917, have taken a sudden drop, and for the three-year period 1917-19, inclusive, show an actual deficit on the common of $4.33 a share. The financial policy of the company does not seem to have been of the most conservative, seeing as at all times dividend payments kept fairly close to the net income. In 1917 payments of $3.50 a share were made when there was a net deficit of almost $1 a share, and the year before, $6.50 had been paid to $5.39 earned on each share.

In this connection it is interesting to note that the depreciation account has shown a steady tendency to rise since 1916, although earnings have decreased. From 1916 to 1917, the increase in the depreciation expenditures was $180,262, whereas a net deficit was incurred of $365,201, half of which would have been avoided if depreciation had been kept at the rate it had run on the average for previous years. The following year depreciation rose by $182,608, while deficit for the year was $1,366,628. For 1919 the depreciation was at its highest in ten years, being $204,526 more than for 1918, and about $560,000 higher than the previous average expenditures of about $1,280,000, though total net earnings after deductions were only $65,207. In other words, if depreciation had been figured at normal rates in 1919, the company would have shown earnings of $1.62 a share, instead of 17 cents.

These large deductions for depreciation may show great conservatism on the part of the company, or on the other hand may indicate that depreciation had been neglected in past years and could now no longer be deferred, in spite of poor earnings.

In considering how much of an improvement it would require to put Peoples Gas back to its old position, let us take 1913 as a typical pre-war year. In 1913 the company earned $8.25 per share, of which it paid out $7.25. It did a gross business of $16,825,534, out of which it saved $6,417,578 for operating income, on an operating ratio of 61.81%. Compared with these figures, we have for 1919 the following: Gross income, $24,543,798; operating income, $4,290,443; operating ratio, 82.52; and earned on common, 17 cents. To allow the company to show $8.25 a share earned on the common, the company would have to show $7,707,000 in operating income, allowing for increased depreciation and bond interest charges. This would mean a reduction of the operating ratio from about 82½% to 68½%, assuming that gross continues constant, or an increase in gross and operating income of $2,287,000, or about 9% of the gross, and 53% of the net operating revenues.

PEOPLES GAS LIGHT AND COKE.

Year		Gross Revenue	Operating Ratio	Depreciation
1910	....	$15,530,350	60.04	$1,068,878
1911	....	15,896,286	60.01	1,175,647
1912	....	16,370,936	62.72	1,269,961
1913	....	16,825,534	61.81	1,293,721
1914	....	16,800,538	59.58	1,106,436
1915	....	17,037,894	59.46	1,292,140
1916	....	17,084,878	66.39	1,281,689
1917	....	19,338,638	82.04	1,461,951
1918	....	21,588,400	87.71	1,654,559
1919	....	24,543,798	82.52	1,859,065

Obviously these would be exceptionally marked improvements, and it would take an obstinate optimist to prophesy them for the near future. Considering the possibility of a return to dividend payments from the standpoint of financial strength rather than that of earnings, we find no greater grounds for hope there.

Financial Position

Including a book value of $96,771,042 for the company's land and properties, which has been officially challenged, we find a net asset value for the common stock of $111 a share. Working capital amounts to only $3 a share, and the cumulative profit and loss surplus after 65 years of operation figures out at $30 a share.

The valuation authorities of the Illinois Public Utility Commission, however, in July, 1918, placed the value of the company's properties, after allowance for depreciation, at $45,639,939, or somewhat less than half the book figures. On this basis the common stock, instead of representing assets of $111 a share, would represent obligations of over $4 a share on current liabilities and funded lebt. This valuation may represent too radical a cut in the company's estimates of the value of its property, but it is official. It probably shows the results of heavy charge-offs for uncompensated depreciation, as indicated by the recent increases in depreciation expenditures.

The funded debt of the company, together with its assumed obligations, amounts to $46,343,000, to which should be added $12,000,000 of bonds guaranteed by it. The stock has a par value of $100, and $38,500,000 of it are outstanding out of $50,000,000 authorized. The bonds are selling to yield between 7.05 and 8.10%, wide a wide spread between the first consolidated 6s and the refunding 5s, indicating a lack of confidence on the part of the investing public in the security behind these issues. The stock, at about 38, is selling 6 points above its 1919 low, and well below its prices of former years.

The present price of the stock discounts a good deal of adversity and the expectation of generally better conditions in the public utility field have led many investors to hold this issue pending the outcome. The result is that the market position of the stock is now favorable. Weak holders have already parted with their stock, and those who have held on are of the courageous class.

Public utility costs are more likely to fall than to rise from present levels, and I believe it would be wise for holders of this stock to maintain their position for the present until it can be seen more definitely how the general situation will work out.—Vol. 25, P. 61.

More About Par Point Collections

By CHAS. DE B. CLAIBORNE

Chairman of the National & State Bankers' Protective Association

I FEEL it my duty to correct the impression which your article, "The Par Point Collection Controversy," on page 618 of your March 6, 1920 issue, may convey to the uninformed.

Such figures are not only unfair, but incorrect. They are evidently published by the bank mentioned, to raise the presumption that 86% of the banks of the country desire par collections, and that, therefore, the other 14% (to use the words of H. A. Moehlenpah of the Federal Reserve Bank—see page 608, March 6th issue), "still cling to their idea, and chirp and whistle because of their petty losses on exchange."

I say it is unfair, because the public should be informed that National Banks *must par,* as they are members of the Federal Reserve by law; that State Member Banks *must also par,* being part of the system; that a great number of the State Banks that are now in the system, joined for patriotic reasons to assist the Government to finance the war. These two classes make up the greater part of the "86%" referred to, and in no way show the real sentiment with regard to par collections, for the reason that they have no option. The balance is largely made up of banks that for competitive reasons, must give the same service as National Banks situated in their communities, and therefore par for that reason. It, therefore, appears, by analysis, that the banks composing this famous "86% par list," do so not only without their consent, but in a probable majority of cases, against their will, and over their very strenuous protest.

So, you can see that this "86%" proves nothing, unless it can be shown that the banks remit at par of their own free will, and not as a result of the law which compels them to do so. This whole matter is one of fact, not of subterfuge—a simple question of whether or not remitting of items is a service; if it is, then it should be paid for. The Government charges on postal orders three times more per hundred than the banks, and the express companies twice as much.

Therefore, I repeat that this whole "par collection discussion" is one of fact. The subject cannot be disposed of by incorrect figures that prove nothing, or by any attempt to belittle the men who oppose the plan.

Too frequently, have Government agencies in the last four years resorted to these methods, rather than prove their case. Government operation, judging by experience, has not been so successful as to give rise to a presumption of infallibility, and the men behind this movement are not to be frightened by any attempt to belittle them by referring to the whole matter in question as "petty exchange." (It is a very much broader subject.) The cost on any single collection is, indeed, insignificant, but in the aggregate is a large item, and the maintenance by the banks of the necessary departments incident to this service, is a very heavy expense.

I want to make it very clear that our Association is not against the Federal Reserve system. On the contrary, we fully believe in its wonderful potentialities, but we deplore its invasion of fields never intended by the framers of the Federal Reserve Act, and reserve the right to oppose any action of the Reserve Board, when we feel that what they are about to do, is through a misconception, or a mistaken economic view.

The men in this movement to oppose enforced "par collections," are of unquestioned standing at home, and they should not—because they have the manhood and the independence to try to get a fair hearing for their case—be misrepresented, or have their efforts discredited. The results from the Interstate Commerce Commission and Government control of the railroads, should furnish sufficient food for thought as to how far Government regulation of business should be permitted to go.

Cullinan Puts Houston Oil on the Map

Wizard of Texas Company Has Turned Struggling Land Company Into One of Country's Greatest Potential Oil Producers

By **RALPH RUSHMORE**

SINCE 1913 the common stock of the Houston Oil Company, dealt in on the New York Curb, has fluctuated from as low as $12 a share to as high as $173, reacting in the recent market break to $85 and selling at this writing in the neighborhood of 110. During these startling gyrations, probably more unfounded gossip has been printed concerning this company than about any six others.

Some investors, mystified by the conflicting reports published in connection with the movement in Houston Oil stock, have kept away from it; but the big investors, the ones in whose accounts the greatest part of Houston common stock now stands, have merely smiled at these reports, and maintained a discreet silence.

Today, with Houston quoted around $110 a share, the big investors are being just as discreet as ever; but there is reason to believe that, before very long, their wise policy of silence will be broken. That will be the effect, at least, which the listing statement of the Houston Oil Company will have—for in that statement, Houston Oil will probably supply to the New York Stock Exchange information that will answer a host of burning questions about the company that have never been answered before. If the result should be a considerable advance in Houston stock, the people who are inside the company's affairs today will not be surprised.

The initial advance in Houston Oil common stock from $12 to $175 a share was the natural accompaniment of its transformation from a struggling land company into one of the biggest potential producers in the Gulf Coast district. Where its earnings used to be just about nothing a share, it is now well on its way toward returning to its treasury the huge profits which success in the oil industry produces.

Before we go any further, let's make it clear that Houston is not now producing tremendous quantities of oil, nor does anyone in any way connected with the company wish to give that impression. But, judging from what it has already accomplished in the way of development work, and banking somewhat on the soundness of such oil opinion as that of representatives of a former Standard Oil subsidiary, Houston Oil promises one day to become one of the strongest producers in the district it serves, if not the entire Southwest.

The chief strength in the Houston Oil company's position lies in the fact that practically all of its land holdings represent land owned in fee—that is, land which the company owns outright and which it may develop or not develop to suit its own purposes. The company's holdings cover about 800,000 acres.

Where other oil companies frequently have as their chief property holdings land held under leases, the Houston Company has nearly all of its land under its own independent control. It is not under any obligations to drill within a given area or time; such difficult bookkeeping feats as making capital of one-eighth of one per cent royalties in developing properties it does not have to stoop to. Should oil not be encountered on a given section of its lands, the company is not confronted by a dead loss of lease money. In other words, Houston stands free and clear of any of the obstructions which have handicapped so many other oil producers.

BURNING IT UP!
With Pennsylvania crude selling for $6.22 a barrel, a burning tank of this capacity is an expensive proposition

Timber Holdings of the Houston Company

Stating that Houston began as a land company, is, perhaps, not telling the whole story. It has huge stretches of land, and its acreage as such was originally its chief asset. However, the value of this land was very much enhanced by the fact that it contained millions of feet of standing yellow pine.

Timber holdings of the Houston company at the present time are estimated at about 6,500,000,000 feet of yellow pine and hard wood. This timber is being cut and marketed by the Kirby Lumber Co., an independent concern, under a contract which was made some years ago. In general, the contract provides for the cutting and marketing by Kirby Lumber of a certain number of feet of yellow pine a year at $5 a thousand feet. We may note in passing that this lumber contract, in one way a very bad one for the Houston Company, is a remarkably good one for Kirby. Yellow pine, contracted for by the Kirby Co. at $5 a thousand feet, sold before the war at $15 a thousand, and now it is selling at the mill around $55 a thousand. It would be interesting to figure out Kirby's profits from this little stroke of genius; but, as we have said, Kirby is independent of Houston and its progress is therefore another story.

Earnings from this lumber contract, besides being sufficient to cover preferred dividends, are also large enough to leave a balance of more than $3 a share for the common. Furthermore, the company's land holdings, as they are cleared of timber, will constitute a very substantial source of revenue. Five years ago Houston land was quoted around $5 an acre; it is now worth, at the irreducible minimum, an average of $15 an acre, some land (not oil land) having sold at high as $50 an acre. Assuming the average price of $15 an acre for Houston's shorn land alone, its 800,000 acres figure up to a total value of $12,000,000 against a market valuation on the company's 250,000 shares of common stock at $100 a share totaling $25,000,000.

Houston's Oil Development

The development of Houston as an oil producer began with the entrance of J. S. Cullinan, the wizard of the great Texas Co., into Houston's affairs. In order to get Mr. Cullinan into Houston a contract was arranged by which he was to receive a 50 per cent interest in the Houston Company's mineral rights. Although, at first thought, Houston stockholders may find cause to regret that so large a share of the company's oil profits should go outside the company, less disgruntlement appears justified when it is recalled that Cullinan put Houston on the map as an oil producer and that, without his magic touch, the company might never have proven up as fast and as satisfactorily as it has. The answer is that, if you want the highest type of professional or technical knowledge, you have to pay for it.

Mr. Cullinan's policy since he undertook the Houston deal has been a wily one. Instead of sinking vast sums into large-scale development, he has gone about the business with an eye to conserving the company's resources, building, not for tomorrow, or a month from tomorrow, but for years ahead.

Development work on Houston property up to the present time has been limited practically entirely to a plot of 800 acres in the Hull field of Liberty County, Texas. This plot, rectangular in shape, has been drilled on three sides as a matter of protection. To date 25 wells have been sunk and of those 25 attempts, oil has been struck no less than 19 times. Today, Houston is sending out close to 6,000 barrels a day from this 800-acre tract.

The oil coming from the Houston lands is high grade lubricating content. Its market value has advanced from $1 a barrel to $2.25 a barrel within the last five months and it is now freely predicted that a price of more than $3 a barrel for this oil will be reached in the not far distant future.

The future of Houston as an oil producer depends, of course, upon the success of the development work being done now and also the further development that will be undertaken as soon as geologists' reports are available. However, there is no doubt in the minds of the people who have been watching this company carefully that it has oil resources in huge quantity. The use of superlatives in speaking of its holdings seems entirely warranted here, for Houston's oil possibilities include stretches of land in 32 counties of Texas and Louisiana, some of which amount to 30,000 and others as much as 50,000 acres. Where other producers who strike oil are immediately surrounded by a hungry horde of fortune hunters, anxious to "ring in" on the new find, Houston's wide stretches of land act as a natural barrier to outside interference.

That the big fellows believe in Houston's future is beyond question. That is why the Humble Oil Co.—a Standard Oil concern—recently contracted to build a pipeline into Houston's properties, engaging to take up to 10,000 barrels a day of the company's future production. This Humble line, it may be noted, will be in addition to two other pipe lines now in the field.

No Combination with Standard or Texas Company Likely

Because J. S. Cullinan comes from the Texas Co.; because he is head of the Galena Signal Oil Co., a former Standard subsidiary; and because he is now associated with Houston, the gossips of Wall Street have had a wonderful time stargazing at a possible combination of Houston, Standard Oil and Texas Co. From what the writer has been able to gather, there is no foundation for this gossip in fact. In the first place, Mr. Cullinan is not on the Houston board, and has no actual interest in it as a company; in the second place, Galena Signal's line of business does not appeal to the Houston Co. Perhaps the most important item, however, is that Houston Oil, already a rich concern and with prospects of becoming very much richer, more than likely will prefer to go it alone.

Houston common stock is subject to sharp market fluctuations. The floating supply is limited, and purchase or sale of a few hundred shares may cause wide variations in its price. The recent market break in the stock, due to general discrimination against high-priced issues, is a case in point. Moreover, the development of the company promises to be a long slow process, and it is not likely that its great possibilities will be realized, or even fully understood, for some time to come. But for those who are willing to set aside the money necessary to buy Houston Oil common outright and carry it for the time required for the development of the company, this issue probably offers as good speculative possibilities as any other oil stock on the market.—Vol. 25, P. 595.

Oil Shortage and Oil Stocks

Country Faces Real Shortage in Crude Oil—Little Increase Expected in Mexican Production—Importance of Discrimination in Choosing Stocks

By **J. GRANT**

GOOD judges of the market believe the foundation is right at the present time for a rise in the better grade oil stocks. They base this belief on the unprecedented prices now prevailing for crude oil which they expect to see advance still further during the coming summer.

Many believe that a real shortage of crude oil for the spring and early summer of this year, confronts the country. In 1908 this country produced 178,500,000 bbls. of crude oil. Of this amount 20,000,000 bbls. were available for storage. In 1918, ten years later the oil wells of the country produced 356,000,000 bbls. but to meet the increased demand, more than 24,000,000 bbls. had to be drawn from storage. In that same year the excess of our imports (principally from Mexico) over our exports was 33,000,000 bbls.

In the ten-year period from 1908 to 1918 annual consumption of gasoline increased from 540,000,000 gals. to 3,500,000,000 gals. The production of oil during 1918 is estimated to have been one-twentieth of the amount still remaining in the ground. The amount of oil drawn from storage was about one-fifth of that remaining in the ground. In other words, if the past production and consumption of oil be taken as the criterion this country faces a real shortage of crude.

For the year 1920 a more cautious analysis of the probable course of the oil markets must be made. Many oil men are inclined to be doubtful of what the results will be. This is especially true of the Mid-Continent operators, particularly the refiners, who have been caught in a jam too many times to be over optimistic. They know that the shortage of 1918 was made up in 1919, when 376,000,000 bbls. of crude were produced in this country. They saw crude placed in storage to the extent of 10,000,000 bbls. and refined products accumulated. Most of their refineries shut down at the height of the motor (1919) season and fuel oil dropped to 50c a barrel.

The search for crude is being vigorously pursued now, but is nothing to the developments which will take place with the advent of good weather. It would not surprise many if 400,000,000 bbls. of crude were produced this year. A tremendous drilling campaign is under way in Mexico coincident with the release of restrictions by the Mexican Government, and that country may easily produce 20 per cent of the world's supply of crude this year. In 1919 it produced 92,000,000 bbls., an increase over 1918 of 20,000,000 bbls, of which production the United States took 57,000,000 bbls.

Mexico Has Balance of Power

Mexico undoubtedly holds the balance of power in the oil industry. It is right now enjoying unprecedented activity in oil development, a veritable rush to the oil fields having set in. It will take the greater part of the year, however, for the effects of this new development to be felt. Everything has to be shipped from the States from mills already worked to the limit and over our badly congested railroad systems, then by boat to Tampico and from there inland for many miles. Progress is slow in drilling wells in Mexico. Therefore, Mexico, which was largely responsible for present high oil prices, due to suspended development because of friction with her Government and the intrusion of salt water in the famous Tepetate field wells, can hardly be expected to relieve the situation in the months immediately ahead.

At the present time a great deal of crude oil (500,000 bbls.) is held in storage awaiting further advances. A slight cut in the posted price would bring a rush of it on the market. Many producers think Pennsylvania crude will bring $7.50 by July. The posted price is now $6.10 and premiums of 50c. per bbl. are being paid in many cases. Mid-Continent oil is selling for $3.50 per bbl. Scarcity of oil is by no means wholly responsible for the rise in crude prices. Most of the advance is due to increased cost of production. What effect the drilling campaign, never before approached in magnitude, that is to be prosecuted during the coming months will have on prices is difficult to say.

It is believed that refined prices are going to be good during the whole summer. The great demand for gasoline at this time of the year is unprecedented. Contracts now being made confirm the belief that prices will be high this summer. The host of small refiners are not making money. Many of them shut down their plants. The recent advances in crude prices relieved the oil producer but smothered the refiner. The cost of producing, refining and marketing has increased and

the prices of refined products have not advanced in proportion to prices of other staples in this country. The seller of fuel oil is also expecting better prices. The outlook for the disposal of kerosene, fuel oil, road oil, gasoline and lubricating products during the spring and summer is fine and will probably be unprecedented, at least until late in the year when new crude supplies flood the market.

Outlook for Oil Securities

Those who have the sagacity to look before they leap and who invest now in oil stocks of proven worth, soundly financed, and backed by men of financial and oil experience, will probably see their securities rise during the next few months, or over a period of years immediately ahead of us. I have reference to such stocks as the Standard Oil issues and others wholly or completely independent of them, such as Pan-American Petroleum & Transport, Royal Dutch, Texas Co., Magnolia, Union Petroleum and Mexican Petroleum. Others, such as Arkansas Natural Gas are over-capitalized and have not proven their real worth. The companies operating in the Louisiana Homer field made their big market advance on the strength of wonderful flush oil production.

Trans-continental Oil is also highly speculative as many investors and speculators know from sad experience. The present earning capacity of this company is out of proportion to its capitalization. White Oil, Sinclair and Ohio Cities companies as a speculative proposition rank above the Trans-continental, and Arkansas Natural group, and below the first mentioned.

The saddest story relates to the Texas stocks. Instead of 25,000 to 40,000 bbls. per acre, the Burkburnett field will probably produce 8,000 bbls. per acre. This means that such stocks as Boone, Ertel, Federal, Livingston, Omar Oil & Gas, Skelley, Middle States, Texas Chief and a host of others, must secure new production in order to make good.

However, with all the conditions for an active investment market present, low price levels, diminishing crude supplies, advancing oil prices, it may follow that many of the over-capitalized stocks, including some hard hit Texas stocks, may also rise. Sound and reputable financial interests back numerous weak stocks, groups of men whose ramifications in the oil and industrial world are far-reaching generally, so that out of some of the weak sisters they may produce, by combination, refinancing, etc., strong profitable companies. It should be remembered, however, that many oil stocks issued in the past year are fast becoming, or already are, nothing but paper.

Cleveland Is Busy But Cautious

Industrial Plants Booked Up Well Into the Future—Bankers Are Disinclined to Encourage Credit Expansion—Some New Stock Offerings

***By* JOHN W. HILL, Financial Editor of "The Iron Trade Review"**

THE generally adopted policy of loan restrictions and the tendency toward higher interest rates as yet have had but small effect upon the current phenomenal industrial activity in this district. Save in the building industry, where the high costs of labor and of raw materials and the credit curtailment are being felt most keenly, there has been virtually no perceptible slowing down in any important line.

Manufacturing and trade continue to be characterized, with an occasionally added exception, by an immediate scarcity of raw and finished products, and the same urgent demand for quick deliveries that has existed for months. Scores of plants in many of the diversified industries for which Cleveland is notable report that their capacities are booked ahead for from two to twelve months, and that the only impediments in the way of unprecedented operations and earnings are the shortages of raw materials and labor. Consequently, most manufacturers can see no let-down in activity, no possibility of catching up with the demand, in the majority of lines, within two years, and no speedy checking of the fight of prices.

The banks, however, are not so recklessly enthusiastic concerning the outlook. They most emphatically do not anticipate any drastic or sudden decline in business activity and least of all anything resembling an old fashioned panic, yet they maintain that sufficient credit is not available for further heedless elevation of the price level and unjustified plant expansion. Furthermore, they believe that the stage is set for a gradual abatement of the feverish demand for goods, accompanied by a tapering off of prices, as production and deliveries increase.

Institutions Reducing Loans

For these reasons, as well as because of the depleted position of their reserves, loaning institutions not only are reducing, or refusing outright, loans for speculative purposes of all kinds, and compelling reasonable amortization of real estate loans, but they are keeping a sharp eye upon commercial borrowings and warning customers of this class to confine their credit requirements to the minimum. They believe that the present great need is for greater operating and labor efficiency and increased production from existing facilities, which in most cases are ample for normal needs.

As a result a distinct note of caution respecting future plans has come to be heard in recent weeks. While, as stated above, current activities have not been affected, six months hence may witness some change, it is believed. Some manufacturers report reduced raw material purchases due to difficulty in obtaining credit, higher interest rates and a feeling that prices will be easier later in the year. Still others for various reasons are revising downward their originally planned manufacturing schedules. Better deliveries and the belief that prices have reached their peak are causing cautious buying by wholesalers and retailers. Merchants are abandoning the practice of putting all of their profits into purchases of stocks for their shelves and the taking of "merchandise profits" which was so prevalent in this district last year is an uncommon practice now. Collections in most lines continue good, although exceptions are reported by some wholesale hardware and grocery concerns and others. Credit men in all lines are on the alert and exercising all care to keep their firms in a liquid position.

The retail trade in Cleveland remains remarkably active, thanks to the high wages. Nevertheless there is growing complaint against the high prices and it is significant that the high class department stores last month reported smaller increases in sales than those catering to wage earners.

Have Buyers Exceeded Needs?

Many bankers and some business men feel that the shortage of goods, although admittedly great, has been made to appear worse than it is by orders placed by numerous buyers in excess of actual needs, together with the tremendous piling up of finished goods in this district because of transportation difficulties. This latter condition has been particularly true in the iron and steel industry.

Although ingot production in January reached the surprisingly high rate of 84 per cent of capacity and in February 87 per cent, consumers of finished steel products did not benefit fully from this increased output because of hampered deliveries. Some competent authorities estimate that pig iron production is but 10 per cent behind demand and that a few months will suffice at the present rate of expanding output, to bridge the gap. Weather conditions now are conducive to improved railroad service, but completely satisfactory shipping service is not to be expected until the roads are enabled to rehabilitate their deteriorated rolling stock.

Cleveland tax experts report that the majority of local firms in 1919 earned smaller profits than in the previous year, but at the present time profits are on an improving scale, although increased overhead is tending to counteract in a measure, the results of increased production and advancing prices.

The greatest single factor in Cleveland's industrial activity is the automotive industry, which has assumed immense proportions within the past year. Despite

many obstacles, automobile plants are achieving very near capacity production and earnings are highly satisfactory. While there is no present evidence that the saturation point is near, an important official of one large Cleveland automobile company said recently that 25 per cent reduction in the present feverish demand for cars would be welcomed by the trade.

Of the new crop of parts companies started here last year the Murray Ohio Mfg. Co. has been one of the most successful. An initial dividend of 2 1/3 per cent on the 8 per cent preferred stock payable April 1 has been declared. While the preferred dividend is guaranteed by the parent company in Michigan this payment is from the earnings of the local company. The new plant was opened Jan. 5 and the first shipment was made Jan. 15. Gross sales at the present time are at the rate of $90,000 monthly or in excess of the originally scheduled annual rate of $1,000,000.

Another newcomer in the local automotive field is the Fisher Body Ohio Co. which will handle the rapidly expanding business of the Fisher Body Co., of Detroit, in this district. This subsidiary has just filed application for a permit to construct a $6,000,000 plant in Cleveland.

Investment Market Improved

Substantial improvement has taken place in the investment market since income tax day, and progressive betterment is expected, but complete recovery will depend upon improvement in the credit situation. While some investment bankers believe the point of saturation has been reached in this district, others are confident that with easy money conditions, good securities would be in great demand. The most popular types of issues seem to be 7 and 8 per cent preferred stocks. Numerous speculative flotations of doubtful value are appearing on the market and reputable investment bankers are taking steps to combat their appeal to certain types of investors, chiefly those without financial experience.

Investment houses are taking advantage of the present market improvement to clean up their shelves of unsold issues. Among some of the most attractive of these may be mentioned the $750,000 of 8 per cent cumulative preferred stock of the Larowe Milling Co., Rossford, O., makers of stock feed in great demand by farmers, offered by Bonbright-Herrick Co., Cleveland; the 15,000 shares of no par value of common stock of S. Korach Co., Cleveland dress makers, offered by Worthington Bellows Co., Cleveland, at $32.50, and yielding over 9 per cent; and $1,400,000 common stock of the Bulkley Building Co., Cleveland, offered by Otis & Co.

Flotations in prospect in the immediate future necessarily are limited by the credit situation, but as conditions improve the volume of offerings will grow. Among the first to appear will be some attractive issues based on Cleveland amusement enterprises, both in the motion picture and the legitimate theatre fields, large scale expansions of which are taking place this year.

Among the companies in this district prominently mentioned in the stock dividend class are the Cleveland Cliffs Co., The Wellman Seaver Morgan Co., the Jordan Motor Car Co., The United Alloy Steel Co., the Brier Hill Steel Co., the Youngstown Sheet & Tube Co., The Republic Steel Co., the Trumbull Steel Co., The American Multigraph Co., and the Chandler Motor Car Co. Directors of the Cleveland Akron Bag Co., have declared a stock dividend of 50 per cent payable April 3.

Home Building Being Encouraged

The housing shortage and financing difficulties are resulting in the formation of numerous building and loan associations and the working out of various novel plans for financing home building though the sale of investment securities. The most important of these new building companies is the Cleveland Homes Co., capitalized at $1,000,000 and capable of building 500 or more homes annually. Myron T. Herrick is chairman of the board of directors and many important employers are interested in the company which offers a partial solution of the housing problem for their employes. A plan of co-operative financing has been worked out whereby the housing corporation, industrial employes and the employing concern will share. According to present plans, sales will be made on down payment of 15 per cent or more of the total cost of the house and installments on principal and interest will be made at 1 per cent a month probably through the industrial concern. The company's stock also will be sold to investors who do not intend buying homes.

A recent flotation offered the public was the $6,000,000 of 7 per cent six months gold notes of the Standard Parts Co. This concern recently underwent a complete reorganization, which included the retirement of Former President Christian Girl and the election to that office of J. O. Eaton, formerly president of the Torbensen Axle Co. As a part of its new policy the company is disposing of some of its smaller and least profitable subsidiaries. The new issue is to pay off the floating debt of the company and to provide additional working capital.

THE FUTURE OF STANDARD OIL

"Birthdays are milestones at which the thoughtful traveler pauses for a moment to survey his progress. Looking back from 1920 we are convinced that the second half century of Standard Oil history is likely to see developments as far reaching as those stirring changes which marked the early period of growth.

"The Company is still young enough to number among its employees men who remember the day of organization. Perhaps the best augury of its future is the record of its past. Standard Oil was founded on enduring lines, so that it has never been necessary to recast the fundamental principles as laid down by the signers of the Certificate of Incorporation. Fairness to all; the maintenance of the highest standards of business honor; adherence to the original declaration that all products bearing the Company's name must be standard; consideration for the rights of employees, consumers, and stockholders—these principles will continue to control the Company's policies in the new half century."—From "The Lamp," official trade paper of the Standard Oil Company (New Jersey).

Possible Credit Stringency

(Continued from Page 788)

more bonds. The floating indebtedness of $4,000,000,000 can only be paid by the excess of our revenues over our expenses and it must be paid soon and steadily. It cannot safely run on indefinitely.

But for the next fiscal year, commencing July 1, 1920, the Treasury estimates that the expenses of the Government will be five and one-half billions of dollars and the revenue will be six billions. How then are we going to extinguish that debt so that our financial status shall be sound?

Necessity of Reducing Expenses

There is only one way of increasing our revenues and that is by remorsely cutting down our expenses. But there are so many avenues opening out where money could be usefully spent and the country seems so rich that no one likes to apply the pruning knife. But it must be done.

What is wise for the Government is wise too for the individual. The $21,000,000,000 of bonds issued in two years were far beyond the saving powers of the people. The bonds now gorge our banks and threaten our financial stability. Until the legitimate savings can absorb the bonds our solvency is in danger.

Therefore thrift and saving is the duty of the hour. A part of the world is starving and crying "Produce." But though our necessity is not so extreme yet we too are urged by motives of self interest and protection, by the danger of inflation, panic and disaster, to produce and save.

"Work and Save" should be the maxim of every individual, and of every municipality and State as well as of the nation.

WHY PROMOTERS?

Let us suppose a well-known banking house, which by a half century of honest and intelligent dealing has gained the confidence of all parties, takes the matter up, brings all the necessary experts together, plans a location where the materials are easy of access, forms the corporation and sells the securities to its clients and to the public, turns out the rails and supplies them to the roads. All parties believe what the bankers say because they know that the bankers' most valuable asset is reliability.

It is evident that this banking house has rendered an exceedingly valuable service to the public and a service which very few are in a position to perform successfully. It is entitled to a correspondingly liberal remuneration for its services in the promotion. And the same would of course apply to the individual promoter.

WHERE WISHES SHAPE THOUGHTS

Not one trader in a thousand ever becomes so expert or so seasoned as to entirely overcome the influence his position in the market exerts upon his judgment. That influence appears in the most insidious and elusive ways. One of the principal difficulties of the expert is in preventing his active imagination from causing him to see what he is looking for just because he is looking for it.

Readers' Round Table

The Study of Finance—World's Currency Deflation—Dealings in Stock Market Privileges

HOW TO STUDY FINANCE

St. Louis, Mo.

Mr. Richard D. Wyckoff,

Dear Sir:

I have been very much interested in your last two articles in The Magazine of Wall Street. Will you write me what you would consider the best way for a young man to secure a knowledge of stock market conditions and facts that will enable him to do as you have done —"speculate to secure funds to invest." By that I mean, would you advise him to go to New York, start in at a brokers' office and keep his eyes open, etc., or would you advise him to read all he can on the subject and gain his knowledge by observation and study? The young man in question is twenty-six years of age, a Yale graduate, has four years' experience in general business and is highly interested in banking or investment matters.—C. H. W.

Many people have an impression that it is necessary for a man to come to New York and get right into the financial district, in order to acquire a thorough knowledge of securities. My experience proves that this is not necessary.

Financial knowledge is something that you cannot take with a spoon or rub into your pores, but must absorb it through the eye, ear and vein. You can do this just as well in St. Louis as you can in New York.

The first thing to do is to read and then study intensively all the books you can secure which relate to the subject or will have any angle bearing upon it. Of course it goes without saying that this magazine, and particularly the back numbers, some of which are obtainable in bound form, but many of which are out of print, will be found to contain a veritable mine of information such as you require.

To come to New York would be unnecessary, except in case you desire to locate here anyway. It is also useless for you to give up any present position which you may have, because this work is something that you can just as well do after business hours.

Study for a year, then begin practicing on paper, and finally commence investing carefully in time of weakness and depression. It doesn't matter how much you start with, but it does matter whether you start right or not.

AMERICA CANNOT DEFLATE FOR THE WHOLE WORLD

When, in 1917, we entered the war and set out liberally to finance our allies, an embargo was placed upon the exportation of gold. Nobody questioned the wisdom of this measure. It was the nature consequence of a policy deliberately embarked upon. Half a year after the conclusion of the armistice, having decided to discontinue the comprehensive financing of foreign nations by our Government, we lifted the gold embargo. If this was done in the belief that we would after a while lose only so much gold as would be required to settle our own debit balance with those countries whose exchange stood higher than the dollar, the conclusion reached was based on wrong premises. While less obvious to the uninitiated, it is clear to those who are familiar with foreign exchange arbitrage, that gold may go out to other countries even though we have no debts of our own to settle with them, and even though no credits be granted to the debtors of such countries. If dollars are at a premium of 170% in France, and Argentine pesos at a premium of 175%, while the cost of shipping gold from the United States to Buenos Aires is 1%, it will be profitable for French traders to pay for Argentine wheat, meat and wool by purchasing gold in the United States and shipping it to the Argentine Caja de Conversion. We are losing in this way considerable amounts of gold to South Africa, China and India. There is nothing remarkable in this situation, which has been clearly recognized by those European countries who were neutral in the war and have added largely to their gold reserves—comparatively more even than we have. They feel unable to restore their free gold markets, because they fear that their reserves may be drained empty in a very short while for the benefit of others. Their currencies are now severely depreciated, with the exception, however, of Holland. The Netherlands Bank does not give gold for export, but Holland benefits from the sale of the products of its colonies. Dutch Exchange is now truly on a sugar basis.

We are the only country that is exporting gold freely for the benefit of the whole world. While we have felt, when we were pressed to continue Government credits to foreign nations, that we cannot *inflate* for all the world, yet we seem to think that we can *deflate* for all the world.

But, of course, we cannot. The gold embargo was lifted at the end of June, 1919. Since July 1, 1919, our total gold stock has decreased 333 millions, but at the same time our total paper circulation (not including gold certificates held as reserve by Federal Reserve Banks or Federal Reserve Agents) has increased 388 millions. Our gold reserves, large as they are, can no longer be considered abundant in proportion to the structure of currency and credit which rests upon them. If things continue for a little while at the pace they are now going, we shall soon have reached the legal limit in our reserve position. Our post-war gold policy so far has been in the nature of a wager. We seem to have been betting that Europe would be able to restore its trade balance with South America and the Orient *before* our gold reserve would fall below its legal minimum. We are fast losing out.

So we may soon reach the parting of the roads. We shall then have to decide whether we wish one-sidedly to stick to our policy of settling in gold with other countries, or alter the reserve basis of our currency and credit system. There are arguments in favor of either course. But, clearly, it is unthinkable that we should try to stick it out both ways. This would mean that a forcible reduction of currency and credit would have to be attempted. This would be disastrous, nay, criminal.. Once more, *we, alone, cannot deflate for the whole world.* Inflation is a condition where production is inadequate to meet the increased effective demand for products, mainly as a result of newly created purchasing power. The wise remedy is a gradual and well-balanced effort at increase of production and cautious decrease of artificial purchasing power. A process of indiscriminate, enforced contraction of purchasing power would be unwise, inhuman, socially unjust and politically dangerous. Nor would there be any scientific or moral justification for a banking policy which would subject the country to such evils, while at the same time permitting loans to countries which are already drawing gold from us.

Leonard Kessing.

Puts and Calls

In connection with your recent article on "Puts and Calls" you said nothing about commission, taxes and interest. Will you kindly advise just what commission should be paid by the purchaser of Puts and Calls, and whether or not the purchaser should take care of the interest charges during the life of Call?—J. S.

There are no commissions, taxes or interest to be paid on puts and calls. However, if you exercised the privilege, receiving stock on a call or delivering it on a put, the broker handling this part of the business for you would make the usual charges for handling the stock. We suggest that you write to some of the put and call dealers advertising in our columns, and get their descriptive booklets.

Stock as Collateral

S. H. A.—Your broker has the right to transfer stock held by him as collateral into his own name, but there is no rule of the New York Stock Exchange requiring him to do so. The broker's object in transferring stock to his name would be to permit him to deposit it with a bank for loan purposes.

STOCKHOLDER'S LIABILITY

A paragraph in a recent issue stated that "aside from bank stocks, the stockholder has no liability other than the possible loss of what he has paid for his stock." This should have read "no liability beyond the par value of his stock." There is considerable variation in the laws of different states about the stockholder's liability, but we believe it does not exceed par in any state, except for bank stocks, where a liability of double par is sometimes provided for.

OUT-OF-DATE QUOTATIONS

"It's a regular gold mine." (The sarcasm of this is best appreciated by holders of gold stocks.)

"Made me feel like thirty cents." (Would now have to be about sixty-five cents.)

"Servant girl." (Once a well known term: species now obsolete.)

"Heaping coals of fire on his head." (This plan impracticable at present price of coal.)

* * *

IN HUMOROUS VEIN

"The salesman told me the mine contained a vein of gold 1,000 feet deep."

"And it proved to be nothing but a vain imagining?"

(Funeral Monday, when subscribers receive this issue. Please omit flowers.)

* * *

A PATHETIC SITUATION

A subscriber writes us, apparently in all seriousness, as follows:

"I don't like the present issue of the magazine as well as the former one. It is too big. It is difficult to find time to read it all, *yet I am not willing to miss an article.*"

A hard situation, brother. Don't know how we can help you unless we make some of the articles so bad that you can skip them. These might be labeled at the top "ROTTEN—DON'T READ," or something like that. But the trouble witr that solution is that its's almost impossible for our staff, because of its naturally scintillating brilliancy, to get up a poor article. If we made the magazine smaller we would have to leave out some of those articles that you are not willing to miss. We sympathize with you, but what can we do?

BOOB'S INQUIRY COLUMN

Q. Would you advise investing in National Casket?

A. This is a grave problem and we are not dead sure, if you were to take a flyer in it, where you would end up.

* * *

Q. All night long I keep dreaming crazy dreams about stocks. Frequently my dreams come true in the action of the market. What would you advise me to do?

DODGING THE TAX

A. Close the windows so the squirrels can't get in.

* * *

Q. Is it correct to say that a man who is fond of figures is statisticklish?

A. Depends on what kind of figures.

DON'T SEE ANYTHING ABOUT GANDERS—MUST BE A SUFFRAGETTE GOOSE FARM

"The Oil Weekly" heads this one "Goose Farm Going Stock Company in Oil Country One Better:"

Prospectus for Goose Farm.

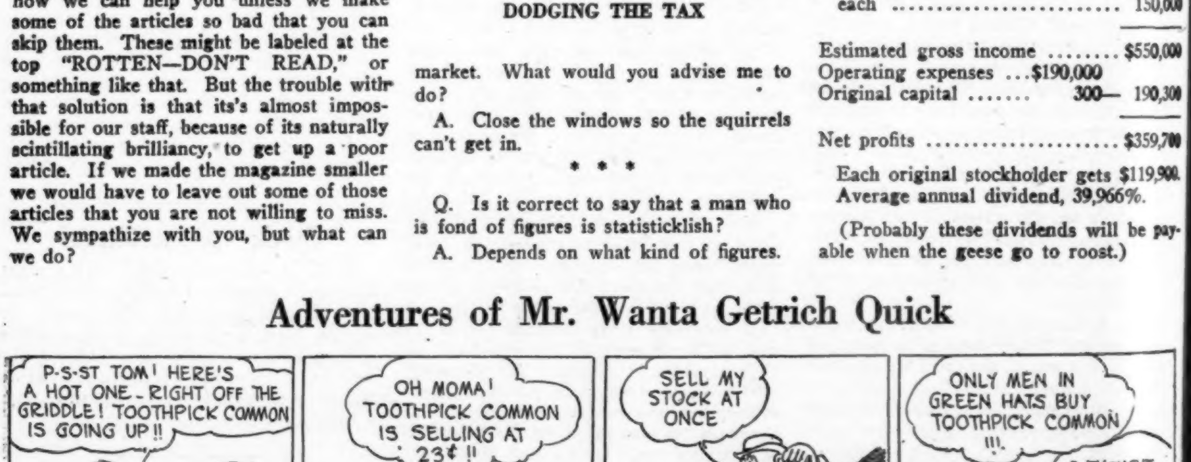
(Passed by the Capital Issues Committee)

No. of stockholders	Three
Shares of stock (3 at $100 per share)	$300
Purchase 300 geese at $1 per goose	300
3 eggs weekly per goose (eggs per week)	900
52 wks. x 900, or eggs per year	46,800
Eggs in 3 years, 3 x 46,800	140,400
No eggs to be sold, but all incubated and hatched; allowance for bad or infertile eggs, 40,400, leaving increase by hatched geese	$100,000
2 lbs. live goose feathers per goose, at $1 per lb.	200,000
100,000 pairs of goose livers at 60c	60,000
Ten yellow buttons from each goose bill, at 1c each	20,000
Fertilizer (dried sacked manure from goose pens)	20,000
Sell 100,000 dressed geese at $1.50 each	150,000
Estimated gross income	$550,000
Operating expenses ...$190,000	
Original capital .... 300—	190,300
Net profits	$359,700

Each original stockholder gets $119,900. Average annual dividend, 39,966%.

(Probably these dividends will be payable when the geese go to roost.)

Adventures of Mr. Wanta Getrich Quick



NO REACTION IN PRICE OF SILVER LIKELY FOR SOME TIME

Restoration of Normal Conditions in Mexico Would Be Biggest Factor in Lower Prices

In a report to the Secretary of State for India, Professors H. C. H. Carpenter and C. G. Cullis, of the English Royal School of Mines, said in part:

"Probably silver production will remain for a time at a low level, but in the near future, when increased precious metal mining has reached the stage of production and when the temporary check to base metal mining has been removed, a steady increase in the output of silver will set in.

"So long as the Mexican output remains at its present reduced level the world's production of silver is not likely to rise beyond the maximum attained in 1912. On the other hand, if normal conditions should be restored in Mexico, a production considerably in advance of that maximum will eventually, and probably shortly, be realized.

"Reduced production, increased consumption and accumulated arrears consequent upon the war will probably keep the supplies of silver short and the price of silver high for many years; but eventually history is likely to repeat itself and, with an expanded output from precious metal mines and plentiful supplies from base metal mines, production may again get ahead of consumption, in which case price reduction will ensue."

ENGLISH POUND STERLING HOLDING ITS OWN IN TRADE

Walter Leaf, Prest. London Institute of Bankers, Does Not Fear Aggression of American Dollar

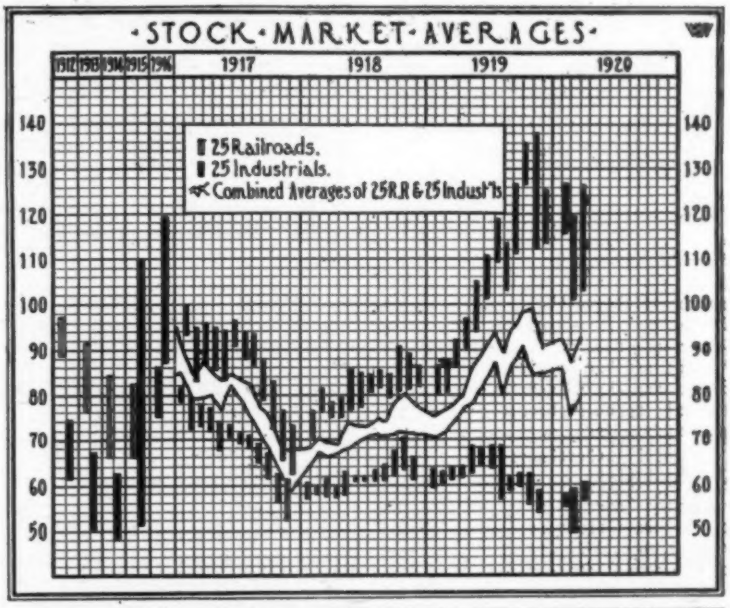
"In spite of all difficulties the fact remains that the pound is holding its own in the international market and seems likely to do so. There was a time, not so long ago, when the United States was threatening to supplant it with the dollar. That time seems to have passed. Our American friends are as glad as ever to have credits in London for their international balance. There has no doubt been a certain amount of drawing in dollars on New York rather than in pounds on London. It has been chiefly in the South American trade, the one region in which the Americans are making a serious attempt to take our place.

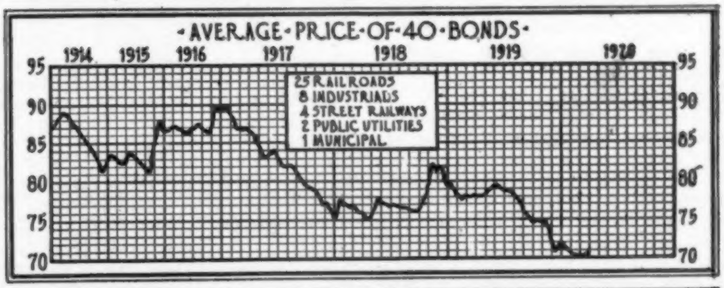
"But I doubt whether dollar bills are increasing, and I am sure that the pound is holding its own. In fact, I do not think the world can do without it at the present moment. But we must recognize that its position is assailable, at least in theory, and that the moment is propitious for those who would be glad to see it supplanted.

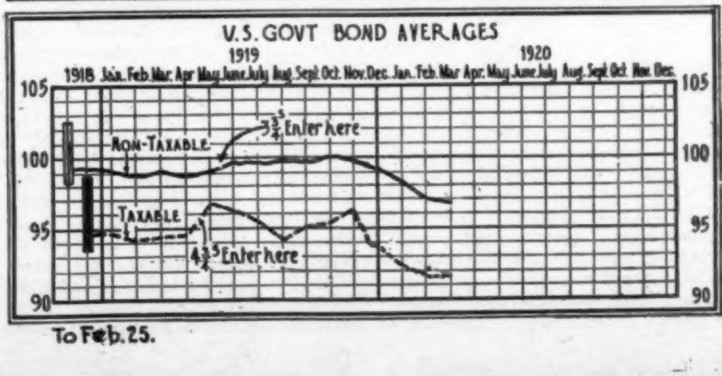
"It is, therefore, desirable that we should be forewarned and if we go into international conference should be fully prepared to meet and discuss, after previous reflection, any proposals which may be brought forward. I do not desire to prejudge the question. My own preconceived opinions are, of course, always in favor of the pound sterling; but we have had to give up a good many preconceived opinions in the last six years."

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds.	20 Inds.	20 Rails.	High.	Low.	Sales.
Monday, Mar. 15....	70.90	100.51	78.83	89.53	87.74	1,051,800
Tuesday, Mar. 16....	70.94	100.39	77.82	89.83	87.77	1,246,600
Wednesday, Mar. 17.	70.79	102.11	77.57	89.36	87.50	1,047,661
Thursday, Mar. 18....	70.86	103.98	78.51	91.08	89.12	1,899,740
Friday, Mar. 19......	70.90	103.66	78.40	91.28	89.86	1,461,936
Saturday, Mar. 20...	70.90	103.66	78.13	91.62	89.65	699,490
Monday, Mar. 22....	70.82	104.17	77.75	92.89	90.37	1,572,300
Tuesday, Mar. 23....	70.72	103.55	77.39	92.89	90.24	1,259,200
Wednesday, Mar. 24..	70.58	100.33	76.75	92.60	88.91	1,711,110
Thursday, Mar. 25....	70.54	101.54	76.36	90.11	88.00	1,235,451
Friday, Mar. 26......	70.63	108.63	77.30	91.87	89.56	1,418,477
Saturday, Mar. 27....	70.63	103.40	77.11	91.63	90.79	727,082







To Feb. 25.

Trade Tendencies

Prospects of Leading Industries As Seen by Our Trade Observer

THE average investor has neither the time nor the opportunity to follow developments in the various industrices, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. as the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

Railroads

The Valuation Question

AT the valuation hearings recently concluded before the I. C. C. the interesting fact was brought out that the shippers would not oppose a reasonably high valuation of the railroads on which to base rates, instead of attempting to beat them down as in past hearings. In the second place, the suggestion appears to have met with much approval that for valuation purposes the railroads be divided into three groups corresponding roughly with the three classification districts, the Eastern, Southern and Western. The Interstate Commerce Commission has full power over these matters, but in view of the nearly unanimous opinion in favor of these measures it seems likely to adopt both the book-values of property as tentative bases for valuation, and the division into three rate-making groups.

The wage question, at one time of almost overwhelming importance, has been temporarily shoved into the background by the adjournment of the committees representing the operating managements and the employees, and the decision of the latter to let the wage boards provided for by the new law have a chance to show their merits. In the meantime both sides are collecting information to be presented at subsequent hearings.

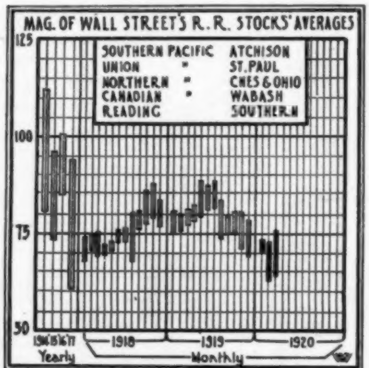
The Car Shortage

A survey of the car shortage situation made by the Federal Reserve Bank shows that conditions are very serious indeed. Not only industrial plants, but coal and iron ore mines, steel plants, grain elevators, zinc mines and lumber mills are among the industries so badly affected as to threaten an enforced idleness in some cases if transportation conditions do not improve.

The shortage has even reached the point where it may have international consequences, as it is alleged that an excessive surplus of Canadian cars is being held up on American tracks. Canada threatens to retaliate, and Congressmen from states doing much business with Canada are alarmed at the situation and are trying to have the Canadian cars returned as promptly as possible to their own lines.

To modify the car shortage the railroads are doing as much buying of railroad equipment as their financial condition will permit, but not only is the traffic running well ahead of any ordinary improvement in facilities, but the time required to fill even the orders now on hand is so great that it looks as if the car shortage will continue to be with us for some time to come.

Operating results of the railroads now that they are being privately operated again are being watched with considerable interest, particularly in the case of those roads which have elected to run for their own account instead of accepting Government standard compensation. Most of the latter have obvious reasons for so doing in the fact that their earnings have been in excess of the Government guarantee, but in a few cases the reasons for this action were not clear.



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Rate increases and rumors of them will continue to be among the main subjects of interest for some time, the first of the rumor crop having already started with a story to the effect that a general rate increase of 20 to 25 per cent is being contemplated. In any case, it will be almost six months before they can be put into operation.

Coal

Confusions Clearing Away

The decision of the President to remove the Government's price-fixing power from the soft coal industry on the ground that the coal commission which he had appointed was a divided body, and the acceptance of the majority report of the commission, clear away a good deal of the uncertainty which has surrounded the industry ever since the first talk of strike last year. This majority report provides for an increase of 24 cents a ton for tonnage workers instead of the 14 per cent increase granted by the Fuel Administration. For laborers paid by the day the increase is to be $1 a day for men and 53 cents a day for boys. The eight-hour basic day is provided for.

This report and its findings are to be the basis of the new wage agreement to be signed by representatives of the workers and of the operators. The president of the miners' association has announced that although it will be disappointing to the miners, they will respect the President's wishes and will confer with the operators in such fashion as to have the agreement finally signed by April 1.

In the meantime the conference between the anthracite workers and their employers is going on, the hard coal miners' demands substantially agreeing with those presented by the soft coal miners last November. To date the only point settled has been that whatever wage increase shall finally be granted be made retroactive to April 1, when the present wage agreement expires. The operators had opposed this because if it should be necessary to raise anthracite prices as a result of wage increases they would be unable to make price increases retroactive to correspond with the wage increases. In order to prevent a strike, however, they granted this request, the labor men at the same time promising not to go out on strike if final agreement had not been reached by April 1.

The Coal Market

It is expected that restrictions on the exportation of coal now in force will be removed, now that price restrictions are off. In this case an increase in prices may be expected, as advance quotations on export coal are well above the prevailing domestic prices. It is true that President Wilson in his statement on the removal of price restrictions warns coal men against "profiteering," but "profiteering" is such a loosely used term that but little definite meaning can be attached to this pronouncement.

In the bituminous fields production continues at a high rate, notwithstanding grave difficulties of transportation caused by the car shortage. It has been officially estimated that the mines are supplied with from 30 to 50 per cent of the cars that they need, this at a time when the steel industry and large industrial consumers are in desperate need of coal. The same conditions apply to the production of metallurgical coke, where output is being seriously hampered by the absence of sufficient cars.

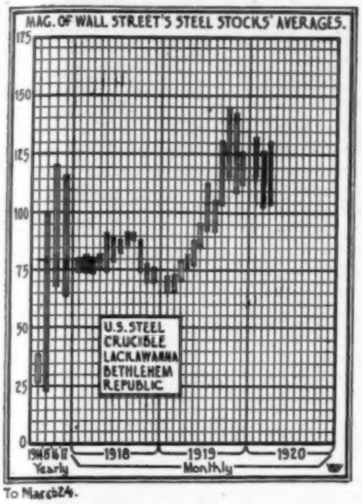
In view of the great demand and the temporary impossibility of increasing production sufficiently to take care of it, it would seem safe to predict price advances in bituminous coal almost immediately after April 1.

Steel

Market Quieter

With the realization of how limited the supply of steel actually available is, buyers have become less disposed to offer fancy premiums in competitive bidding, and the market has settled down pending the settlement of difficulties in connection with fuel supply and car shortage. The

release of Government control over the coal industry on April 1 is supposed by most to mean an increase in prices, as wages will undoubtedly be raised, and greater movement of export coal is also expected.



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At the same time the steadfast position of the leading interest in opposition to advancing prices has done much to prevent still greater advances, though it is uncertain how much longer this position can be maintained. Pig iron prices, after a more or less tumultuous period, have quieted down and even in some cases have receded one or two dollars per ton, what with increased production and a less frenzied demand from consumers.

For the semi-finished products demand is still at a high pitch, and further price advances are by no means improbable. Structural steel has apparently reached the apex of its demand for the time being, though two important factors have still to be heard from, the railroad building business and the domestic dwelling construction, now estimated to be only 17 per cent of the total structural business done.

Export Business

Export trade continues to be active and in some quarters is even increasing, in spite of the handicap of adverse exchange conditions. The recent advances in steel prices in Great Britain have improved the export position of the steel industry in this country, and similar tendencies have been shown in a more aggravated fashion in France and Germany. The latter countries are beginning to buy machine tools from the United States under protest, but they feel they cannot wait much longer for their own producing facilities in these lines to get under way.

Non-European export trade, which has been the more important for some time, is running at a high level, much interest being exhibited in railroad materials, structural ironwork, and machinery. In general, however, export trade is not getting its full share of attention because of the difficulties encountered in meeting the demands of the domestic market. It is believed, however, that 10 per cent. of the total tonnage will be the allotment for export trade of leading producers who are taking an active interest in foreign trade. South America, notably Brazil and the Argentine, and the East are doing the most active buying.

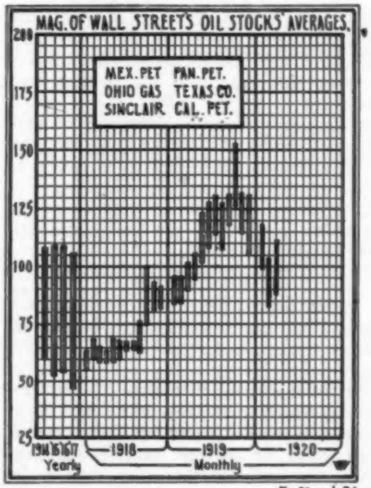
To a large extent the unwillingness of many producers to contract into the third and last quarters of 1920 is being overcome as the premiums on spot delivery are disappearing. The only drawback is of course the uncertainty as to the future of fuel prices, both of coal and oil, or rather the practical certainty that advances are in order. About the only real emergency buying at the present time is that of the automobile manufacturers, who find themselves with greatly increased manufacturing facilities and heavy accumulations of orders, with premiums in many cases for prompt deliveries of cars, and so are correspondingly more anxious and able than most steel consumers to offer exceptional premiums for spot delivery of steel.

With the improvement of the car shortage which is expected to set in later, and the practical solution of many production problems incidental to the conclusion of the steel strike, and the great demand for steel products in all stages of manufacture, the industry is looking forward with reason to an exceptionally prosperous year.

Oil

A Fuel Shortage?

The steadily increasing prices of crude oil, followed at some distance by increases in refined products, indicate a



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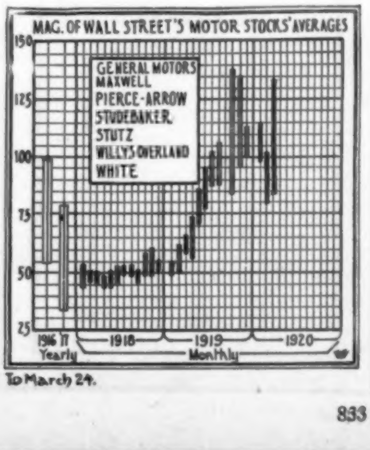
technically strong market, where the factor of overwhelming importance is the demand. Some figures given out by the Department of the Interior are extremely suggestive in estimating the relative positions of supply and demand. They show that from 1909 to 1918 motor vehicles in the United States, including both passenger cars and motor trucks, increased 1,700 per cent.; at the same time the production of gasoline increased 560 per cent., and the production of crude oil only 95 per cent.

There are two important conclusions to be drawn from these figures: that crude oil is in decidedly insufficient supply compared with present needs, and that the increased supply of gasoline has been obtained only by increasing the amount obtainable from a given amount of crude, partly by more efficient cracking process, but mainly by decreasing the volatility of the gasoline, that is to say, by debasing its quality. In the statement quoted the conclusion is reached that the only way out of the fuel shortage which seems imminent is to adapt motor vehicles to the use of the heavy fuel oil, which is in greater supply than gasoline.

Oil Market Conditions

Taking a shorter range view of the situation, however, we find advancing prices on all grades of crude oil, insufficient new production, and a strong and rising market in practically all grades of refined products, from fuel oil to gasoline. To complicate the matter, urgent export demand is coming in, largely from Europe, for the lighter grades of oil products such as gasoline and kerosene to replace coal for domestic purposes, fuel oil for bunkerage purposes, and an increased activity in lubricating oils for which the necessity increases as industrial reconstruction, and with it the use of heavy machinery, progresses. The market for the latter is especially strong as it is realized that manufacturers cannot afford to skimp on their use of lubricating oil for fear of abnormal depreciation on their machinery, for which they have already paid unusually high prices.

It is claimed by men in the oil industry that price advances in refined oil products have not nearly kept pace with the advance in crude oil, and that in consequence we are far from the end of the upward movement in petroleum derivatives. This conclusion is fortified by a study of the production figures of the automotive industry. Exclusive of aviation engines and tractors, which are steadily growing in importance, we had in this country at the beginning of 1919, some 6,000,000 registered passenger and commercial vehicles consuming gasoline. By the beginning of 1920 this figure has been raised to about 7,500,000, and at the present rate of production we should have some nine to ten million by the end of the year. This means a serious aggravation of the shortage in petroleum products, particularly the lighter fuels and lubricants, which is but little relieved by two recent developments, the passage of the oil leasing land bill and the opening of Mexican fields for drilling under temporary permits.



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Motors

Production Problems

In the general prosperity and expansion through which the motor industry is going at the present time, only one difficulty is in sight for the present. This seems to be the question of getting an adequate supply of steel. Of late the motor manufacturers have had to enter the market for more or less emergency purchases of steel, and because of the stringency in the steel market have had to put up unusual premiums for it. An actual shortage of steel has been in sight for the automobile industry since the announcement of the steel strike, when an inventory of steel supplies among motor manufacturers showed the presence of from three weeks' to two months' stocks of steel in most cases.

During the strike, and the cut in production which followed it for some months these stocks were cut into considerably, and by the time production was going at a higher rate in the steel industry, the demand had got up to a point where available supplies were very small and replenishment of depleted stocks was possible only at steadily advancing prices. Ever since, motor manufacturers have been trying to get back to where they were last October as far as supplies of semi-finished steel are concerned, but to date they have been unable to do so.

This condition is brought out with the more emphasis because of the attempts of most motor companies to increase production well above last year's figures, as the demand continues to run high, with no indications of a let-up for the time being. Price increases have been resumed in a good many cars, without decreasing the activity of the industry, which is apparently still far from the point where price increases will affect the demand. One by-product of this deficiency of supply and the need of rushing production in consequence has been a tendency to stick to old methods in designing and construction, the novelties requiring time to work out which the companies felt they could not afford.

Motor Exports

In the export field the American automobile and motor truck have been a decided success, and total exports for 1919 were some 75 per cent. above those for 1918. Considering that some of our heaviest potential customers were kept away from the market either by Governmental restriction or by the adverse exchange rate, the business that was done under these handicaps is encouraging. Canada, geographically close to us and prosperous because of a good crop year, led in purchases, but England developed a surprising buying power, being second in number of passenger cars bought. It seems however as if this source of demand would be considerably diminished, not so much by reason of the poor exchange situation as because of a plan for the taxation of motor vehicles which Great Britain is now considering, based upon the weight of the car.

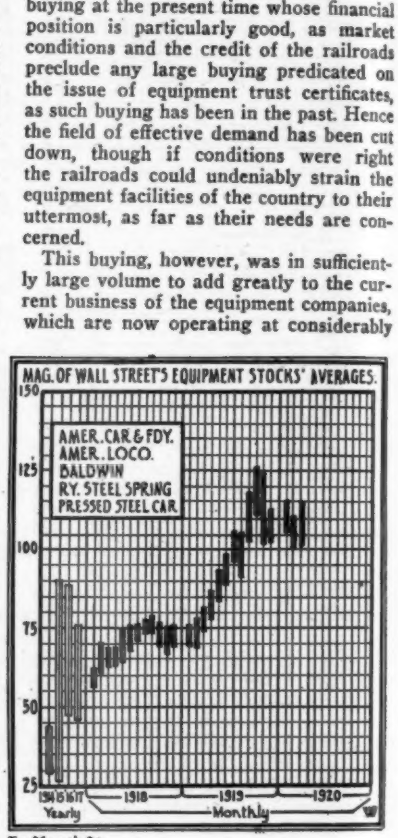
The export demand, however, is of very little importance compared to the domestic buying, at present rates of production being roughly 3 per cent. of the total output. With the home market holding up as well as it does, therefore, the motor industry needs only to look out for signs that retrenchment is in sight to draw in sail.

Railroad Equipment

Extent of Railroad Buying

To a considerable extent the force of the railroad buying of equipment which began on a fairly large scale on March 1 seems to have been spent. The reasons are not far to seek. Only those roads are buying at the present time whose financial position is particularly good, as market conditions and the credit of the railroads preclude any large buying predicated on the issue of equipment trust certificates, as such buying has been in the past. Hence the field of effective demand has been cut down, though if conditions were right the railroads could undeniably strain the equipment facilities of the country to their uttermost, as far as their needs are concerned.

This buying, however, was in sufficiently large volume to add greatly to the current business of the equipment companies, which are now operating at considerably



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better than the 28 per cent. of capacity of last year. Foreign business continues to be active, especially as the majority of tries. The late belligerents for the most part are willing to depend on their own resources in this matter, even if they have to wait a considerable length of time till their production of equipment comes up to their needs.

Rail buying is proportionately very active, as many roads had made reservations with various steel mills in anticipation of their return to private ownership. It also seems that a larger proportion of the railroads' needs for locomotives is being filled at the present time than for cars, passenger cars seeming to be in greater demand than freight cars. For some time to come, however, the roads will prefer to overhaul their old equipment, even making thorough-going repairs where necessary, and sending out to the equipment companies work too big to be done in their own shops, rather than pay for equipment at present prices.

A final solution has been reached at last as to the disposition of the locomo-

tives and cars ordered by the Railroad Administration in behalf of the individual roads during the period of Governmental operation, and allotted to them. The original plan of financing these purchases through the issue of 15-year equipment trust notes by the formation of a national equipment trust corporation has been abandoned, as it is not believed that the investment market is in shape at the present time to stand such a large issue. It has been decided that the Government is to take over these obligations, bearing 6 per cent, though some bankers have objected to the Government's charging so high a rate of interest.

This means that individual railroads whose credit is so good that their equipment obligations will not have to bear a crippling rate of interest will have a broader market for their offerings, if they decide to use this method of financing. It also clears the way for further purchases of equipment by the roads to whom equipment has already been allotted, and the financial status of whose obligations to the Government is now made clear. In many cases a road has rebelled against the allotment to it of equipment by the Railroad Administration on the ground that it did not need it, only to find some months later that it could use considerably more. The car shortage at the present time is being slightly relieved, but construction cannot be pushed fast enough to fill the needs of industry as productivity in most lines is being increased.

The outlook for the equipment companies is therefore, if not as entrancing as some buoyant optimists pictured it some months ago, at least definitely encouraging, with the prospects of a good year almost assured by large and accumulating backlogs of unfilled orders.

Copper

Copper Export Financing

Within a few days preparations should be completed for the formation of a copper export financing corporation, which shall use its resources to swing large sales of copper with comparatively small capital. The trade acceptance method has been suggested as the main means of financing, in view of the relatively favorable position of commercial paper in the money market as compared with long-time notes or even foreign securities. The assistance of powerful New York bankers is believed to have been secured, but their activities will be confined to the ordinary bank handling of acceptances, without any call on their credit.

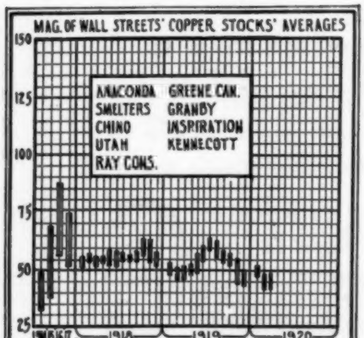
The exceptional urgency of the export demand, which has been held up largely because of financial considerations, probably helped the development of these plans. It is known that most of the Government supplies which have hitherto kept European buyers out of the American market have been exhausted by this time, and industrial reconstruction has got to the point where further delay in the purchase of necessary raw materials is an economic waste. France and Germany are believed to be especially anxious to resume their purchases of copper,

though it has been pointed out that German buying will not for a long time get back to its figures of the years immediately before the war, as large but undetermined amounts of this buying were for military and naval purposes which as far as Germany is concerned are now obsolete.

Market Conditions

After dropping by eighths and quarters of a cent, the price of copper has finally struck a point of resistance, apparently, and much new buying has come in at this price. This is said by copper men to indicate that the larger consumers, who have been hanging back in the hope of still further declining prices, have now been compelled to enter the market and have not been able to secure further price concessions from the producers, who have the market practically in their own hands.

Stocks have been greatly reduced, the surplus of unsold copper now being less than half of its average figure during the early part of 1919, but it is still too high



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to be regarded with complacency by the copper producers. There are no signs that production is being measurably increased as yet, though it is well known that facilities are available for doubling the present output of copper as soon as the market seems to warrant it. The labor situation looks considerably better than it did a few months back, when the shortage of workers seemed to threaten even the reduced rate of production then prevailing.

The spread of electrification is expected to strengthen the market for copper considerably. Indications of the extent of this tendency are given by the sales figures of leading electrical manufacturing concerns, which show three times the prewar volume of business and more. Assuming an increase in prices of 100 per cent., an actual increase of amount of electrical equipment produced must be deduced, which inevitably brings with it an increase in the amount of copper used for wire installations and replacements.

With the market so thoroughly controlled by the producers as the present one, the speculative element having been reduced to a position of impotence, and increased buying both from domestic and foreign sources under way, the outlook for the copper producers seems to be quite favorable, with prospects of increased production some time later in the year.

Building Materials

Halt to Price Advances?

The possibility that the recent belated upward move of building materials as a class may be halted was indicated by the action of men prominent in the cement industry in stating the position that further price advances would do more harm than good. They based their stand on the attitude of the leading interest in the steel industry, which has refused to advance prices for its products used in construction work beyond the "fair price schedule" of March, 1919.

Considerable new production is coming into the field, partly stimulated by the high prices now prevailing and the prospects of continued activity, partly the restoration of long-unused producing facilities, which had been forced to discontinue operations by the war. This is especially the case in the cement and brick industries.

In the plate-glass field production is assuming record-breaking figures, not only to satisfy domestic demand, but to fill the needs of Canada, which is in somewhat the same position as we as far as building and construction goes. Formerly Canada depended on Great Britain and Belgium for its glass, but at the present time nearly 99 per cent. of its glass imports come from this country. The United States has become the chief export producer of plate glass in the world.

Increased production should tend to stabilize prices, in spite of the recent upward tendency. The action of a number of Western lumber producers some days ago in reducing the prices on the ground that the high cost of building materials and the uncertainty of the price situation were cutting down building construction points in the same direction. The War Finance Corporation's statement that we were six years behind in home building, with about $1,750,000,000 still to be spent on new construction, gives some idea of the extent of the work still to be done in this field, and of the urgency of the demand.

Public Utilities

Turning-Point Reached?

A statement often made in the MAGAZINE OF WALL STREET toward the end of last year to the effect that the peak of costs and the depth of trouble had been reached and passed in the public utility field seems to be borne out by a recent analysis of the situation by a firm of public utility engineers. According to the figures cited, costs have ceased going up and fare increases have been granted in communities supplying about 70 per cent of the street-car-riding population.

The movement for fare increases is not over as yet, but the necessity for further raises seems to have passed. The fare increase of the Hudson & Manhattan is a conspicuous exception, and the necessity for it was clearly explained in the statement given out by the company.

The tractions, formerly the weakest part of the public utility field, have now ceded pride of place to the gas companies, which are apparently in imminent need of rate increases and are finding it extremely difficult to obtain them. The outstanding operating handicaps that they are encountering are increasing costs of primary materials like coal and gas oil. With the recent abolition of Governmental price-fixing an increase in the price of coal seems likely, in addition to previous advances which the gas companies have found sufficiently burdensome.

The gas oil situation is even worse. Not only have prices risen in this field in common with the rest of the petroleum refinery products, but supplies are unusually short because refiners find it more profitable to turn their stocks of crude oil into gasoline and fuel oil, for which the market is broader and in which the profit margins are greater. So aggravated has the situation in the gas industry become that recently a gas company declared it found it necessary to refuse an official order to give more service because its existing facilities were insufficient, it could not raise new capital, and gas pressure was so low that further extension of pipe-lines would mean danger of accidents. This indicates very poor conditions in this particular type of public utility, with prospects tending to become worse.

Public utilities connected with the production or use of electricity have been much more fortunate, as their earnings have more nearly kept pace with their rising expenses. An official investigation of the New York Telephone Co., for instance, while not entirely approving the company's wage policy, concludes by saying that progress is being made and the legislative activity in this regard should be limited to keeping in touch with the situation. Power companies have generally been prosperous, and the electrical industry is apparently in a thriving and progressive condition.

COMPUTING—TABULATING—RECORDING

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yield 7.65%, an unusually high yield for such a well-secured bond, whose interest has been earned an average of four times over since the organization of the company, and whose interest requirements are continually decreasing with the retirement of the bonds, thus increasing the margin of safety.

The stock is now paying $4 annually, and at a late price of about 45 would yield some 8.89%, which is exceptionally high. Considering the possibility of increased dividends and the steady growth of the business under a financially conservative management, it would seem to be a highly attractive purchase at present prices. There is little in it, however, for the short turn, as the stock is very inactive.

A BOUQUET

"We certainly are well pleased with your first edition and hope that the following copies will meet our expectations."—*A Kansas City Bank.*

* * *

"Example is the school of mankind, and they will learn at no other."—BURKE.

Answers to Inquiries About Varied Securities

FOUR BONDS
Suitable for Business Men

Canadian Pacific 6% notes of 1924 and Montana Power 5% bonds of 1942 may be regarded as safe investments. Principal and interest on the Canadian notes are payable at the Bank of Montreal in the City of New York, and although the provisions of the note issue do not state where interest payable or in what form of currency we understand that the notes and the interest is being paid in American funds.

Allied Packers 6% bonds may be regarded as reasonably safe, inasmuch as the company's earnings are running far in excess of the interest requirements.

City of San Paulo 6% bonds enjoy a very high rating. They may be regarded as perfectly safe under existing conditions.

GREAT WESTERN POWER 5s
Good Future for Company

Great Western Power 1st 5s of 1946, of which there are $20,760,000 outstanding, are a direct obligation secured by first mortgage on its entire property. They are also secured by a deposit of $5,000,000 common stock of the California Electric Generating Company and the entire $5,000,000 stock of the City Electric Company of San Francisco. A sinking fund provision which requires that 1% annually of the outstanding bonds be applied to the purchase or redemption of the bonds at not over 106 and interest and that the bonds so redeemed be cancelled, is a very strong point in the consideration of the security behind the issue. The bonds enjoy a high investment rating and may be regarded as reasonably safe. The same may be said with regard to the first mortgage sinking fund gold 5% bonds of the Mississippi River Power Company. These bonds are a direct obligation of the company and are secured by a first mortgage on its entire properties, rights and franchises. The bonds also have the advantage of a sinking fund the provision of which provides that annually, beginning with January 1, 1913, and thereafter, 1% of the bonds be redeemed and retired.

We believe there is a great future for the hydro-electric industry in this country and for this reason we regard the securities of all well conducted companies with favor.

AMERICAN WATER WORKS 5s
Fair Possibilities Indicated

American Water Works & Electric Co. 5s, due April 1st, 1924, are a collateral trust issue and can hardly be placed in the same class with Chicago & Western Ind. 4s which are a direct obligation of the company and secured by a second lien on its entire property. The principal and interest however are guaranteed under the terms of joint lease by five proprietory tenants of the company which use its terminal yards in Chicago. We do not think, therefore, that it would be a good move on your part to switch from the American Water Works bonds to the Chicago & Western Ind. 4s, even though the latter would seem to be better secured.

FRENCH 5s
Better Hold These

We can see no way for you to dispose of your 5% Fr.1,000 French Government bond of 1931 without loss unless you hold it for further appreciation in price. As far as we can ascertain, the bonds of this issue are reasonably safe and we see no reason why you should take a loss on them. No doubt the foreign exchange market will improve in time and that should have a beneficial influence on the price of all foreign bonds. If you can afford to do so we would therefore suggest you hold for the next few months.

We do not approve of averaging on principle. Better use the intended new funds on something else more likely to appreciate rapidly, for example, Am. Ice, Cal. Packing, Wilson & Co., U. S. Food Products, moderately priced and promising.

FOREIGN EXCHANGE
Speculation Not Advised

Speculation in Foreign Exchange is a rather hazardous operation since the factors which govern the foreign exchange market are so multitudinous and complicated that only an expert in that branch of finance is able properly to weigh them. We do not believe, therefore, that it would be to your advantage ultimately to engage in such speculations and we therefore hesitate to advise you in the matter. Doubtless the safest of the foreign exchanges is sterling, and then in order, the currencies of the Scandinavian Countries, Switzerland, Spain, Netherlands, Belgium, France and Italy.

The best method of taking advantage of low exchange rates is to purchase the bonds of foreign Governments, which are selling in line with low exchange rates. An appreciation in exchange would naturally put them much higher. There are so many types that it is impossible to cover them all in a letter but we would not overlook the various Japanese Government and Municipal issues, the Chinese Bonds, British, French, Belgian, German, Italian and others so extensively advertised in the financial columns these days. You can communicate with our advertisers who will be glad to send you lists, prices and their suggestions.

I. R. T. 5s

Speculative But Have Hopes

Interborough Rapid Transit 1st 5s due 1966 are now quoted around 56½. They are a direct obligation of the company secured by a first lien upon all the leaseholds and other rights of the Interborough in the existing subways and elevated lines of New York City, in its equipment, real estate and other property, having an aggregate value of about $40,000,000. The principal and interest is payable without deduction for any tax or taxes which the company may be required to pay or retain. They are tax exempt so far as the holder is concerned.

The Interborough Company's financial position cannot be regarded as sound, in fact, it is very weak. Only recently the company just escaped receivership. Under the circumstances, therefore, we cannot regard the bonds as a safe investment, although they are not without big speculative possibilities for those who have sufficient funds and nerve to take chances.

OUR NEW TELEGRAPHIC SERVICE

Our telegraphic inquiry service is now as perfect as it is possible to make it. We have two special wires—a Postal and a Western Union—leading from their main offices to our inquiry department. Our telegrams are classed "Rush" and receive immediate attention from telegraph officials. Five to ten minutes from receipt of a telegraphic inquiry by us over our special wires, the reply is flashing back. This service is free to Investment Letter subscribers—they, of course, paying telegraph tolls. To others our charge is only $1.00 for each issue in regard to which inquiry is made. File telegrams via Postal or Western Union, marked "Rush" for immediate attention.

CANADIAN PACIFIC

Speculative Investment Outlook

Canadian Pacific around 124 is a fairly good specvestment. It is true that there has been some falling off in earnings of late, but we believe that this is only a temporary condition. The company, furthermore, is not subjected to the conditions governing the operations of American railroads nor is it under the necessity of adjusting its finances in accordance with the new conditions entailed by the return to private ownership. The stock has been declining in sympathy with the market for American railroad stocks and bonds, but we are of the opinion that it will do better as investment absorption of railroad stocks, under the new conditions, proceeds.

U. S. STEEL

Position of Industry

U. S. Steel has had only a moderate recovery in the past fortnight but it is said that the buying of the issue in that period has been of the best character. The company's business is in a most flourishing condition and its books are filled with orders. These orders, it is understood, are sufficient to keep the plants of the corporation working at capacity for many months to come. The common stock has never measured up in the market to its intrinsic value, but we believe that it will do so eventually. It

may not sell up to that level in the next two or three months, but that it will reflect more accurately its great earning power and tremendous asset value before very long we have no reason to doubt.

COLUMBIA GRAPHOPHONE

Poor Earnings Explained

Columbia Graphophone has had a rather rapid advance in price in the last ten days, due to the favorable developments in the market, and we rather look for a moderate reaction in the price of the stock. The company is doing an enormous business at present, more than all the other record companies combined and is unable to keep up with orders. They are spending $9,000,000 on improvements and new construction on their Baltimore and other plants and are making 250,000 records and 3,500 phonographs daily.

Earnings in 1919 have just been announced at $3.32 per share on its stock. We believe it would be well to await some reaction to purchase a lot and then you could buy additional holdings if the stock receded still further.

Please note that the apparently poor showing was due to large amounts paid for Federal taxes, equal to 45% of earnings. Besides, the company is plowing back large sums into improvements, not shown as earnings. We think very well of Columbia despite its high price and recent low earnings.

COMMONWEALTH POWER

Preferred Stock Has Merit

We believe the switch from the Commonwealth Power Railway & Light common stock to the preferred now around 38, would be a good move as by this means you would be receiving some return on your investment whereas by holding the common you would be receiving nothing and the outlook for dividends on the common is decidedly remote. In addition, the enhancement in value of the preferred shares in response to favorable earnings would probably be as great on the preferred as on the common.

CERRO-CHINO-RAY

Three Good Coppers

Three good copper stocks in our estimation, both as regards prevailing price and future outlook are in the order named: Cerro de Pasco, Chino, and Ray Consolidated. The two latter have been compelled to reduce their dividend lately, owing partly to labor difficulties and partly to the slow movement of copper in the mines, but more generally to the extreme dullness of the copper metal market. The first named stock is well able to continue paying dividends as the output of silver is very large, and this naturally reduces the cost of copper to the company. The company is also erecting large smelters at its Peruvian mines and before next December is expected to practically double its production capacity, which at present is about 72,000,000 lbs. per annum. For this reason we believe that Cerro De Pasco at the present price has the best speculative possibilities.

Anaconda, Calumet and Arizona, and Utah all look cheap. Frankly, we believe most of the leading issues are at bargain levels and it is difficult to discriminate. But the selection given should give results.

THREE INDUSTRIALS

All Seem Attractive

International Paper and Punta Alegre Sugar have both been showing very large earnings and an initial dividend on the former may be declared at any time. Punta is very conservatively managed and is enjoying the present prosperity in the sugar industry but whether high sugar or even high paper prices will continue indefinitely is uncertain. On any reasonable setback we believe both are desirable purchases.

White Motors earnings in 1919 are estimated at around $7 a share. While this is not as large as either of the other two concerns, yet the management is excellent, past record good, and future outlook very bright.

ELK BASIN

Leasing Bill Helps

The recent rise in Elk Basin Petroleum is due partly to the passage of the Oil Leasing Bill and partly on expectations of considerable improvement in the company's earnings as a result of its recent acquisition of valuable oil leases in the Mid-Continent field. The company is a growing one and its stock considered to have excellent possibilities. Of course, it is always good to take a profit when one has one, however, to buy back at a lower price. But it frequently happens that the expected lower price never materializes until too late, and then one loses all the profits of a potential rise. We believe it would pay you to hold longer.

SIMMS PETROLEUM

Still Looks Good

We have read your letter regarding Simms Petroleum also our article in the January 10th number of the Magazine also the clippings which you enclose, and see no great disparity between the latter two. It is evident you are under a misapprehension regarding certain statements made in the magazine article. The article stated that ten wells had been brought in of 20,000 bbls. initial production, making a total "potential" production of some 200,000 bbls. per day. You must understand that this is only the potential or initial production of each well and that if a well brings in 20,000 bbls. at the beginning it may and often does, fall off to possibly as little as 2,000 or 1,000 bbls. after a few weeks time. The potential production is the largest possible production which might be figured, but is not the actual production in any sense. However, even with a production of 50,000 bbls. a week only, the company would be showing very gratifying earnings at the present prices being received for oil and its products. In fact, if figured out at a profit of $2.75 per bbl. this would mean earnings of around $10 per share on 751,500 shares of stock, the largest total outstanding capitalization.

Current Stock Offerings

The salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the object is purely to keep the reader informed on the more important issues.

Motor Wheel Corp. 8% Cum. 1st Pref. Has acquired the properties of four companies producing wheels and steel parts for passenger cars and trucks, three factories being located in Lansing, Michigan, and one in Memphis, Tenn. Through this consolidation it becomes one of the largest producers of wheels for motor vehicles in the world, the various plants handling all the different stages of production. The new stock is offered at par, and proceeds will be used to complete the present program of expansion and to provide working funds. Taking the consolidated income statement of the four companies for about five years to the end of 1919, average net income amounted to over three times the new dividend requirements, while 1919 earnings were at the rate of five times the dividend. $2,500,000 stock is offered by two well-known investment houses.

Reliable Tractor & Engine Co. 7% Participating Pref. This concern has been in business about twelve years, manufacturing the Reliable farm tractors and gas engines. The company needs working capital in order to operate on a quantity production basis, large domestic and foreign orders being received for the tractor at the present time. Details of past earnings are not given, but it is claimed that the profits from the gas engine business alone will meet the dividends on the new stock, while profits of $200 each on a scheduled production of 3,000 tractors in 1920 would yield an income after taxes of about $400,000, or sufficient to retire the new stock being offered. The company's products are sold for cash or with sight draft attached to bill of lading. The preferred stock will participate equally with the common after 7% has been paid on both stocks. It is stated that the $600,000 preferred now outstanding is on a dividend basis. The stock is offered by a Cincinnati house.

New York Harbor Dry Dock Corp. 8% Cum. Part. Pref. A newly-organized concern which is constructing two 10,000-ton floating dry-docks at Staten Island, with a number of wet basins, to accommodate fourteen ships in all. The basins will be completed sometime in March and the dry docks should be in operation by July. In regard to the outlook for business, it is stated that total dry docks in this country have increased in number only 60% as against a 400% increase in shipping, while many of the new boats, having been constructed under war-time conditions, are in special need of repairs. It is estimated by President Fraser that earnings should run at the rate of over 30% on the preferred stock. One share of preferred and one-tenth share of common stock are offered at $98.50. Subscribers to the stock will also receive on Feb. 15, 1921, warrants entitling them to purchase additional common stock at $30 a share up to 15% of the preferred shares held.

Rockhill Coal & Iron Co. 8% Cum. Pref. The properties of the Rockhill Iron & Coal Co. and the East Broad Top R. R. & Coal Co. have been acquired by the above-named company. They comprise nearly 20,000 acres in the Pennsylvania coal fields said to contain about 60,000,000 tons of coal which can be profitably recovered. The present annual capacity of the six mines in operation is about 750,000 tons, and the property has been worked for about forty years. The mining property has been appraised by valuation engineers at over $5,000,000, and the company has in addition net quick assets of about $750,000, but there is a bonded debt of $3,000,000. The new stock issue of $2,000,000 (part of which has been taken in exchange by stockholders of the old companies) will be retired by sinking fund, to which will be devoted one-half of net earnings remaining after preferred dividends, and no dividends on common stock can be declared until one-half of the preferred stock has been retired. Earnings for three years averaged about 17% on the new stock, or twice the dividend. The stock is offered at 98, yielding 8.16%.

Kahn-Beck Co. 8% Cum. Pref. This company is one of the leading western candy manufacturers, and also produces crackers, macaroni, etc. Goods are distributed to the wholesale trade of California, Arizona, New Mexico, Texas and Nevada. The present small issue ($75,000 stock) will furnish cash with which the company intends to enlarge its facilities in Los Angeles, decreasing rentals and overhead charges to the extent of $10,000, or considerably more than the new dividend requirements. During 1910-18 earnings averaged nearly twice the amount of the new dividend, and last year $20 was earned on the amount of the new issue. Net assets are said to be over $305 a share.

Alvarado Mining & Milling Co. Common. Organized in 1910 and is said to control one of the world's great silver mines 1919 earnings after taxes (but before charges for depreciation and interest) amounted to about $1,150,000. It is estimated that earnings for 1920 (based on an average price of only $1.10 for silver) would amount to $1,250,000, or nearly $10 a share before deducting maintenance and depreciation. Interest charges will be eliminated this year through retirement of the bonds. A large interest in the company has been acquired by the Mexican International Corporation, after careful investigation of its properties. The company apparently suffers little from unsettled Mexican conditions, as it was operated 339 days during 1919, and a considerable increase in output for 1920 is planned. Ore reserves are estimated at 4,678,000 metric tons with an average grade of 8.9 ounces silver, 923,000 tons having been removed since the property was first operated in 1911 (some of the

mines have been operated since 1645, however). 130,000 shares of stock, taken over at 18 by a syndicate headed by a well-known firm who are members of the New York Stock Exchange, is now offered to the public at 22 (par $20). It is said that application may be made to list the stock on the Exchange.

A. L. Sayles & Sons Co. 8% Cum. Pref. A consolidation of three companies in which the same interests were largely identified, with an annual capacity of 2,700,000 yards of woolens, worsteds and cotton-worsteds. The business has been established for over 100 years, Daniel Sayles having constructed one of the first woolen mills in the United States. In spite of its well-known and successful record, the company does not carry any asset value for good will in its balance sheet, but total assets amount to 225% of the preferred stock. Earnings for the year 1920 will, it is estimated, run at the rate of five times the dividends on the preferred stock, or 43% on the common after payment of the preferred dividend. The stock is offered at par ($50), and purchasers will enjoy the right to subscribe (at same time) to an equal amount of common stock at $27 a share.

Spacke Machine & Tool Co. 8% Cum. Pref. This concern, which has been established about sixteen years, manufactures a cheap, light motor car (the Brook) and does a general business in motors and parts for trucks and tractors. Production at the company's Indianapolis plants is expected to total 10,000 cars, which sell at $295, or $200 less than the Ford. The company has also contracts for 32,000 axles. The purpose of the present $500,000 issue is to retire a previous issue of preferred stock amounting to $105,000, to redeem $112,500 notes outstanding, and to furnish working capital. Assets are said to equal $200 per share and earnings to average five times the dividend requirements — 1920 prospective earnings being estimated at twelve times. There will be no funded debt outstanding after the present notes are retired. The stock is offered by a Philadelphia banking house at 95, and subscribers will receive with each share of preferred a bonus of one share of common stock in the Delaware corporation of the same name.

American Hawaiian Steamship Co. Common. This company, which has been operating for twenty years, has a fleet of sixteen ships which are said to enjoy a very high rating and to be very efficiently managed. The company's fleet of ten colliers is also said to represent the highest type of vessels in this class ever built in the United States. A valuation of all the company's vessels at $117 per ton (which seems conservative in view of the average value of $200 used by the U. S. Shipping Board as a basis for its contracts) would indicate a book value for the stock of $75, including the net current assets. Present earnings are running at the rate of $17 to $21 (on stock of par $10) and as the ships are chartered for a considerable period ahead the outlook would seem to be good. Current dividends are at the rate of $8 and total disbursements have amounted to about $82 during the past 17 years. Offered by a well-known Stock Exchange firm.

WHY HE BOUGHT IT

A short time ago I attended a special meeting of the stockholders of a well-known oil company in which I am interested.

An elderly business man arose and began a statement so remarkable that I am reproducing it as I remember it. His remarks, in substance, were as follows:

"Without saying much about myself personally, I will say that I am a fairly successful business man, located in the Woolworth building. I began work many years ago in the oil fields of Pennsylvania, as a roustabout. Soon I became a tool-dresser, and later on a driller. Then an operator. So I think I can judge the difference between an OIL company and **an OIL STOCK company. I assure you** there is a difference.

"The first thing that impressed me about what I may now call 'our company' was the fact that the authorized capital was very small. That is always commendable. The next thing that impressed me was the fact that their acreage holdings of leases did not run into the thousands of acres, but on the contrary, were moderate, and strictly of quality. There was obviously no attempt to deceive the public by having tens of thousands of acres of leases of doubtful value, scattered over six states, where it would require both years of time and vast amounts of money to develop them. I have always preferred small enterprises, well handled, for making large profits out of moderate investments.

"When I heard that their special stockholders' meeting was to be right here in New York, instead of Delaware, and that the meeting would be held at night so all could attend who so desired, my mind was fully made up to purchase an interest. I always have confidence in the man or set of men who go out of their way to meet face-to-face with those whose funds have been invested in their enterprises. It is the right spirit. It shows that they are honest, have confidence in what they are doing, and want it known. These in brief are the reasons why I have increased my first purchase of a few hundred shares, until I am now the owner of several thousand shares, all registered in my own name.

"I originally purchased some of the stock because various brokers advised against it. This may sound unusual, but it is entirely true.

"I might say further that I never buy stocks on margin, nor do I buy, even for cash, from a broker who sells on margin. I refer of course to stocks not listed on the Stock Exchange. I am afraid of margin brokers, because they frequently fail."

Keep Informed

The people of our country have been poor investors. The poorest citizen of France has known all about his Government bonds for hundreds of years. Our Liberty Loans awakened an investment interest, however, which has come to stay. You must keep your education up to and above the average of the times and do not be afraid to ask about what you do not know or what is not clear to you.

Current Bond Offerings

Briefly Discussed and Analyzed

Issue.	Maturity.	Offering Price.	Approx. Yield to Maturity.
Government and Municipal:			
*Greater Winnipeg Water Dist. 6s	Mar., 1930	91.50	7.20% (d,e)
*City of Billings, 5% Sewer Bonds	July, 1939	97	5.25 (a)
Public Utility:			
*Oklahoma Gas & Elec. 7% Notes	Mar., 1921	99.25	7.75 (b) (d,e)
*Denver Gas & Electric Light 7% Notes	Mar., 1922	98	8.00 (b)
*Richmond Public Ser. 7% Notes	Mar., 1922	98.50	7.80 (b) (d,e)
Industrial:			
*Habirshaw Electric Cable Deb. 7s	Mar., 1935	98	7.20 (d)
*Texas Company 3-Year 7% Notes	Mar., 1923	99	7.38
*Monsanto Chem. Works 1st Conv. 7s	1921-1930	98.18@ 99.76	7.25 (b) (d)
Superior Portland Cement 1st 6s	1923-1935	84.63@ 95.39	7.75 (d)
Burnham & Morrill 1st Conv. 7s	1921-1930	100	7.00 (b)
Scholtz Mutual Drug 7% Notes	1922-1926	97.62@ 99.08	7.50 (d,e)

(a) Exempt from Federal Income tax, including surtax. (b) Company pays normal income tax to the amount of 2%. (c) Exempt from Federal, State and Municipal Taxation as to interest and principal, excepting estate and inheritance taxes. (d) Available in $500 denomination. (e) Available in $100 denominations. (f) Exempt from State and local and from Federal normal income tax. (g) Without deduction from Federal income tax up to 4% as far as is legally permitted. *Described in text.

Greater Winnipeg Water District 6s. The District, created by special act of the Manitoba Legislature to construct and operate a waterworks system for Greater Winnepeg, comprises about 92 square miles with a population of 221,000 and an assessed property valuation of more than $180,000,000. Taxes levied by the District are collected in the same way, and are of the same importance, as municipal taxes; and in addition to the taxing power, security for the bonds is afforded by deposit in the Bank of Montreal of about $2,400,000 long-term sinking-fund securities of the District, which are a first lien upon the water-works system. Including the present $2,000,000 issue, the total debenture debt of the District amounts to $14,182,000. The bonds are offered by a large Canadian investment house at 91½ to yield about 7.20%, payment to be made in United States funds.

City of Billings, Mont., 5% Sewer Bonds. A direct obligation of the city and secured by an unlimited ad valorem tax on property estimated to be worth $30,000,000, though the assessed value is only $9,028,000. The bonded debt of the city amounts to $953,000, of which a little less than half are water works bonds, the present issue amounting to $150,000. The city is said to be prosperous and has enjoyed rapid growth, the present population being estimated at 20,000, or double that of 1910. The bonds are offered by a New York bond house at 97, yielding 5.25%.

The small number of municipal bonds being issued at the present time is said to be due largely to the limitations placed on the terms of bond issues by city charters and organization laws, which tend to prevent the issuance of securities on as favorable terms as investors demand at the present time. With a revival of the general bond market and a lowering of the average bond yield there will doubtless be a considerable amount of delayed financing by municipalities and other Governmental divisions.

Oklahoma Gas & Electric Co. One-Year 7% Bond Secured Notes. The territory served by this company includes a large number of important cities in the State of Oklahoma, the aggregate population being estimated at 225,000. The net earnings for the past year amounted to about three and a half times the new interest requirements, and total interest, including that on the notes, was earned about twice. The proceeds of the new issue will retire the $3,650,000 one-year 7% notes due April 1 this year. They are secured by pledge of $4,375,000 General Mortgage 6% Bonds due March 1, 1921. The notes are offered by two large bond houses at 99¼ to yield over 7¾%.

Denver Gas & Electric Light Co. Two-Year 7% Secured Notes. These notes ($2,000,000 issue) are secured by deposit with the trustee of $935,000 First 5s of 1949 and $2,720,000 First & Ref. 5s of 1951, and the company's earnings for 1919 equaled 2¼ times the entire interest charges, including the new issue. For the past six years earnings have averaged only slightly below this figure. The company, which is a subsidiary of the Cities Service Co., supplies gas, electric power and light to a population of 260,000 in Denver and its vicinity. The company's gas franchise runs until 1926, several of its electric franchises have no time limitation, and it has no competition at the present time. At 98, with a yield of over 8%, these notes seem very attractive, although many investors at the present time prefer to place their funds in securities with high yield and longer maturity.

Richland Public Service Co. Two-Year 7% Secured Notes. This company, which is also a subsidiary of the Cities Service Co., operates gas, street railway and electric light properties in the cities of Mansfield, Shelby and Ashland, Ohio, serving a population of about 43,000. The $850,000 notes are secured by a deposit of $2,000,000 1st and Ref. 5s of 1937, and the company earns its interest charges about twice (including present issue). The company's properties are said to be in excellent condition. Notes offered at 98½, yielding 7.80%.

Habirshaw Electric Cable Co. 7% Conv. 7s, Series "A." This $2,000,000 issue will provide new working capital for expansion of the company's operations,

and will also retire $177,000 bonds outstanding. The Habirshaw Electric Cable Co. manufactures wires and cables for the Western Electric Co., the American Telephone & Telegraph Co., the New York Edison Co. and other large electric concerns, its gross business amounting to $15,000,000 a year. Net earnings applicable to interest charges have averaged $435,000 for the past four years, and it is estimated that for 1920 the net will run nearly three times as high as for the period named, or about nine times the interest charges. $60,000 or more of the bonds will be retired through sinking fund provisions annually. As the utility companies seem to have passed the peak of operating expenses in 1919, it seems probable that they will be in the market for large amount of cable and wire in 1920 and 1921, and the company's estimate of earnings for 1920 does not therefore seem unreasonable. At 98, with a yield of 7.20%, the bonds seem attractive, especially as they carry a conversion privilege.

Texas Company 3-Year 7% Gold Notes. The importance of this company as one of the largest producers of petroleum is generally known. The present scarcity of oil makes essential a large amount of new development work, and the proceeds of the present $35,000,000 issue will be devoted to extension of the company's refineries, pipe lines, steamship properties, etc., as well as in the acquisition of new producing properties. Earnings of the company are running at a very high level as compared with its capitalization, and net income for 1919 was equivalent to more than ten times the new interest charges, while the average income for four years was very nearly equal to that amount. $5,000,000 of the notes will be retired annually through sinking fund provisions, to the extent that notes are tendered at par by holders. The bonds are well sponsored and at 99, with a yield of 7⅜%, they offer an attractive and conservative investment opportunity.

Monsanto Chemical Works 1st Mort. Conv. 7s. The Monsanto offices and plants cover about four city blocks in the city of St. Louis and occupy 115 acres in East St. Louis, the net assets of the company being valued at about $4,700,000. The $2,000,000 bonds are a first lien upon all this property, and interest is secured by earnings which during the past five years have averaged more than seven times the annual charges on the present issue (without deduction for Federal taxes, however). The prosperity of the chemical companies during the war, when German imports were shut off, is well known. The Monsanto Works produce standard medicinal chemicals, such as saccharin, phenacetin, caffeine, chloral, etc., and the company has built up its business out of earnings since 1901 from an original capital of only $5,000. The bonds mature serially from 1921 to 1930, and are convertible into 8% cumulative first preferred stock on any interest date at the option of the holder. As the bonds yield 7.25%, allow considerable choice of maturity date, and have an attractive convertibility feature, they seem to furnish a good selection for investors in the vicinity of St. Louis, where the bonds and stocks of this company should be marketable.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

CANADIAN PACIFIC. — Earnings Maintained. — Purchase of German Shares a Gamble.—Total income for 1919 available for dividends was $31,320,869 equivalent, after preferred dividends, to $10.80 a share on the $260,000,000 outstanding common, compared with $10.97 earned in previous year. Of total earnings, special income provided $3.48 a share while the remaining $7.32 came from railway lines and lake steamers.

In regard to the position of the company's stock registered in the name of Germans and traded in on the Berlin exchange, we wish to quote the vice-president of the company: "These shares cannot be transferred at present nor can the dividends be paid on such stock, such transfer and dividend payments being restrained by the court, and which will be subject to future settlement when the final settlements regarding the war are completed."

Thus, it seems that the purchase of stock in Berlin is nothing but a gamble. V. 25, P. 760.

BOSTON & MAINE.—To Issue Equipment Notes. — Company petitioned the department of public utilities March 12, 1920, to approve an issue of $7,000,000 fifteen-year 6% serial equipment notes. The proceeds would reimburse the government for 24 locomotives and 2,000 freight cars which were allocated to the road by the Director-General of Railroads. The locomotives have not yet been delivered, having been ordered only a little while ago. The cars, however, have all been delivered and are in use. V. 25, P. 670.

B. & O.—Six Months' Income Statement.—Road has submitted its corporate income account to the New York Stock Exchange for the six months ended June 30, 1919, showing surplus after charges and preferred dividends (amounting to 2%) of $3,981,603, equal to $2.61 a share on the $152,317,468 common stock. V. 25, P. 506.

LEHIGH VALLEY. — Does Not Need New Equipment.—Company is not contemplating any important equipment purchases during the current year and will not apply for the use of part of the $300,000,000 available under the transportation act. The Railroad Administration allotted 3,300 freight cars to Lehigh Valley under strong protest from the company, and eventually the entire lot was assigned to other roads.

Orders for 37 freight and 19 Pacific type locomotives were placed before the Government assumed control. These have been delivered during the last two years and a considerable amount of repair work and rebuilding has been done on other equipment. The road is below its prewar standard in passenger cars, but believes its present passenger equipment adequate for this year's needs. V. 25, P. 760.

NORFOLK SOUTHERN.—To Extend Notes for Two Years.—Company has sent circulars to holders of the $1,000,000 6% collateral trust notes which mature April 1 asking an extension for two years. The circular proposes that the interest rate be increased to 7%, and explains that the issue must be extended, as sufficient funds have not been supplied by the Railroad Administration for the payment of maturing obligations.

PENNSYLVANIA.—Subsidiary Denies Paying Unreasonable Rent. — President Peters has issued a statement denying that the company pays more than its reasonable share of the cost of operating Pennsylvania Station. "The company does not pay half the expense for operating the terminal. In 1919 it paid 34%. The nominal rental is $156,000 per annum," said Mr. Peters. V. 25, P. 761.

PITTSBURGH C. C. & ST. LOUIS. —To Issue Bonds.—Will meet May 27 to authorize issue of $35,000,000 of 5% general mortgage bonds, $20,000,000 of which will be issued at once to reimburse Pennsylvania for advance made to company, to cover improvement and extension.

The $20,000,000 of Pan Handle bonds, so turned over to the Pennsylvania company, will be used in the acquisition of the Pan Handle minority stock under the terms of the offer made to the minority stockholders on March 15 by the Pennsylvania company. The bonds will be secured by a new general mortgage on the Pan Handle property, which constitutes that portion of the Pennsylvania system extending, with its main line and branches, between Pittsburgh and St. Louis. The new general mortgage will provide for refunding existing liens on that property as they mature. V. 25, P. 506.

SOUTHERN PACIFIC. — Discontinues Joint Operation with Western Pacific.—Western Pacific has notified the company that arrangement made by the Railroad Administration, under which the two roads used the Western Pacific

tracks between Wells, Nev., and Winnemucca, a distance of 200 miles, is now void, and that the practice must be discontinued. V. 25, P. 619.

UNITED R. R. OF SAN FRANCISCO.—Reorganization Plan Effective.—Proposed reorganization plan of United Railroads was officially declared operative Monday, March 22, by the company. Holders of $22,660,000 of the 4% bonds have approved the plan. Total amount outstanding is $23,854,000. Holders of more than 95% of the $5,200,000 underlying bonds have approved the plan. Final step in completing the reorganization will be a foreclosure by agreement brought by underlying bondholders. V. 25, P. 578.

WABASH.—Earnings Smaller.—Net for 1919 after charges and taxes amounted to $2,372,869 or $3.81 a share earned on the $62,187,100 preferred stock "A," compared with $4.43 a share earned in the preceding year when total outstanding pref. "A" stock was $59,464,500. V. 25, P. 706.

INDUSTRIALS

AMER. BRAKE SHOE.—Stockholders to Benefit by Recapitalization.—Company's recapitalization will result in payment of a 100% (or more) stock dividend on the preferred; the junior issue is also expected to share in the benefits of recapitalization. Profits for 1919 understood to be very large and are estimated at $100 a share after dividends. Present surplus is estimated at $220 a share on the $5,000,000 preferred. Management for some time past engaged in diversifying company's product and considerable business done in manufacture of auto castings.

A. I. C.—Earnings Larger.—Outlook Bright.—Net for 1919 after all charges and federal taxes of $4,719,167, equivalent to $9.43 a share on the $50,000,000 combined common and preferred stock, compared with net earnings of $3,716,379, or $7.44 a share in 1918. Securities held by American International increased to $30,815,823 at the end of last year, compared with $27,847,508 twelve months previous. This increase was undoubtedly due principally to the corporation's investment in the Simms Petroleum Co. made in the fall of last year. V. 25, P. 621 (Art.).

AMERICAN SHIP & COMMERCE.—Balance Sheet.—Company's balance sheet shows total assets and liabilities of $16,938,398, of which $9,970,242 represent securities in subsidiaries, and the rest cash, accounts receivable and organization expenses. Capital stock of the company which was organized July 18, 1919, was $16,809,994. Annual surplus amounted to $132,070.

ASSOCIATED DRY GOODS.—Declare Dividend on Common.—Annual statement is expected to show somewhat less than $20 a share on the common, after allowing for preferred dividends and taxes. This would compare with 2.04% in 1918, 1.54% in 1917, and 2.98% in 1916, in which year the company was

incorporated. Directors of company have declared an initial quarterly dividend of 1% on the common, also the regular quarterly dividend of 1½% on the first preferred stock and 1¾% on the second preferred stock. Common dividend is payable May 1 to stock of record April 3. Preferred dividends are payable June 1 to stock of record May 8. V. 25, P. 672.

BARRETT COMPANY.—Sharp Decline in Net.—Net profit for 1919 after charges and Federal taxes was $2,232,968, or $10.25 a share on common after payment of preferred dividends. This compares with $20.82 a share earned in 1918. Decline caused by reduction in net sales which amounted to $32,235,947 in 1919 against $41,339,664 in previous year. The year's surplus was $376,193, compared with $2,095,749 in 1918.

BETHLEHEM MOTORS. — Important Merger. — Recent advance caused by rumors concerning company's merging with Briscoe Motor, which is dealt in on the Chicago Board of Trade. This would give the combined company a passenger car and a truck, which should prove of advantage to both organizations. Company will probably go into merger on basis of 2 Bethlehem shares for 1 of Briscoe; Bethlehem is well established in motor truck line and earnings, for first 2 months indicate earnings for current year of about $9 on the stock. V. 25, P. 155.

BETHLEHEM STEEL.—In Very Strong Position.—Pamphlet report of the company for the year ended December 31, 1919, shows net income after charges and Federal taxes of $15,356,860, equivalent after deduction of preferred dividends on the 8% cumulative and 7% non-cumulative preferred stock to $19.90 a share ($100 par value) earned on the $59,862,000 total "A" and "B" common stock, as compared with net income in 1918 of $15,930,390, or $21 a share earned on the $59,448,000 "A" and "B" common stock then outstanding. V. 25, P. 726.

BOOTH FISHERIES. — Sharp Decline in Earnings.—Reports surplus for year ended Dec. 27, 1919, after charges and Federal taxes of $431,834, equivalent after preferred dividends to 34 cents a share earned on the 250,000 shares of common stock outstanding of no par value, as compared with surplus of $749,-359, or $1.89 a share in 1918. V. 25, P. 73.

CENTRAL LEATHER. — Business Expands Rapidly.—Inventories at close of 1919 were $74,937,824 against $55,409,-539 at end of 1916. Expanding volume of business and increased prices responsible for larger inventories and gross sales, which rose to $118,959,634, compared with $93,247,551 in 1916. V. 25, P. 763.

COLUMBIA GRAPHOPHONE.—To Expand.—Net for 1919 after charges and Federal taxes and preferred dividends amounted to $3.32 a share earned on the 868,471 shares of common of no par value. Due to the unfavorable tax law now in operation, 45% of the net profits were paid the Government as taxes. To take care of expansion needs, additional land and buildings have been acquired in Bridgeport; a modern plant

was taken over in Toronto to handle increased business in Canada and a 100-acre tract was purchased in Baltimore on which a modern plant will be erected to satisfy the demand for the company's products. V. 25, P. 541.

CUBAN-AMERICAN SUGAR. — **Drought Affects Cane Supply.**—Company has produced 948,000 bags of sugar through March 15, an increase of 125,000 bags over same period last season. Favorable showing due chiefly to good weather conditions which have permitted continuous operations. Drought, however, has affected cane supply so that little increase in final production, as compared with last year's figure of 1,965,641 bags, is expected. V. 25, P. 338.

INT. MERC. MARINE.—**Heavy Expenses to Hold Profits Down.**—Earnings for the year are estimated to be 30% or more in excess of those for 1918. Rates of earnings are running about the same as in 1919 with, perhaps, a very slight decline. Heavy expenses, especially the tremendous price demanded for bunker coal in England, have held profits down somewhat, but it has been announced that a reduction of £2 a ton will be made later in the month, which will be beneficial to the company in reducing expenses. No trouble has been experienced by the company as a result of the political upheaval in Germany. V. 25, P. 763.

INTERNATIONAL HARVESTER. —**Russian Plant Continues Operations.** —Company's plant near Moscow continued operations throughout revolution and was the only big plant not nationalized. Number of employes and production declined markedly. Is turning out annually only 800 machines against 4,000 in 1913. Number of workers less than one-half that of 1913. Company's warehouse holds 14,000 new machines lacking knives and badly needed for 1920 crops. V. 25, P. 30.

KRESGE (S. S.).—**In Strong Position.**—Sales for 1919 amounted to $42,668,061, an increase of $6,358,547 over the preceding year. Earnings after provision for payment of war excess profits and income taxes were 21.40% on the $10,000,000 common stock compared with 15.61% in 1918. The company is well fortified financially, its working capital being $5,558,302, or $46.32 a share. The annual surplus, after payment of 7% dividends on the $2,000,000 preferred and 6% on the $10,000,000 common was $740,000. V. 25, P. 676.

MIDVALE STEEL.—**Mills Operated at 75 Per Cent Capacity.**—Net for 1919 after all charges and Federal taxes amounted to $10,588,605, or $5.29 a share of $50 par value, earned on the $100,000,000 outstanding capital stock, compared with $14.60 earned in preceding year. Decline due to readjustment from war conditions resulting in material decrease in orders. Labor troubles further reduced operations so that entire production was only 50% of normal capacity. Since 1920 mills have been operating at 75% of capacity and improvement over 1919 is expected. With satisfactory prices

for company's commodities, stock should sell appreciably higher than in 1918. V. 25, P. 590.

NEW YORK AIRBRAKE.—May Declare Stock Dividend.—Surplus for 1919 was $6,054,168, or $60.54 a share on the $10,000,000 outstanding stock. As the authorized stock is $13,000,000, it would be possible to distribute a stock dividend equal to half of the surplus without asking stockholders to authorize more stock. Outlook for current year very bright. Orders taken since Feb. 15 aggregate about $3,000,000 for airbrakes, or more than total orders reecived in 1918. Inquiry for railroad equipment strong and demand is expected to continue. V. 25, P. 767.

PACIFIC MAIL.—In Strong Position.—Net for 1919 after all charges and estimated Federal taxes was $1,776,761, or $5.92 a share of $5 par value against $2.95 in 1918. Operating revenues for 1919 amounted to $7,505,273 against $4,144,606, and total operating income after expenses, depreciation and taxes accrued, to $2,132,012, against $1,504,226. Non-operating income was $379,969, compared with $268,534, and gross income $2,502,981, against $1,773,760.

SAXON MOTOR.—Outlook Good.—Production schedule of Saxon Motor Car Corporation for 1920 calls for 12,000 cars, on which President Pfeffer estimates net profits will approximate $1,000,000, after Federal taxes. Deducting preferred dividend requirements, the balance would be equal to about $4.50 a share for the common. The present company represents a reorganization of the old concern, accomplished in the latter part of 1919. The reorganized company is in possession of the same plants in which the record production of over 28,000 cars was made in 1916, and it is expected that next year's output will be increased over that of 1920. V. 25, P. 545.

STUDEBAKER.—Financially Strong.—Net profits for 1919 after taxes were $9,312,283 or $28.54 earned on common of $30,000,000. Total common outstanding is $45,000,000, but additional shares issued to wipe out company's bonded debt, were not sold until last December. Net working capital amounts to more than $75 a share on the new stock; net tangible assets applicable to common amounts to $109.70 a share, compared with $32.50 in 1911. Current earnings are running at a rate in excess of last year's returns, although practically no production has been made at the new South Bend plant. Shipments of the light six Studebaker from the new plant will be under way this spring. If no difficulties are encountered in obtaining raw materials production this year will be 80,000 motor cars and profits naturally should assume larger proportions than ever before. This compares with total net sales for 1919 of 39,356 cars. V. 25, P. 591.

TENNESSEE COAL & IRON.—Makes World Record.—The No. 3 furnace of the company, a subsidiary of U. S. Steel, has made a new world's record. It was recently blown out for relining after having been in operation continuously,

without relining, for over 10½ years, producing during that time 1,429,788 tons of iron. The next best record was made by its companion, furnace No. 2, which produced 1,196,358 tons of iron with one lining.

TEXAS PACIFIC COAL.—May Declare Stock Dividends.—Will approve plan permitting directors to increase company's stock from present 600,000 shares of $10 par to not more than 1,000,000 shares also of $10 par, and also to increase capital stock at their discretion. This is understood to be first step in declaring stock dividend giving shareholders right to purchase additional stock. V. 25, P. 651.

U. S. STEEL.—Unfilled Orders Decline.—Unfilled tonnage amounted to 9,502,081 on Feb. 28, 1920. The tonnage increase reported for February, amounting to 216,640 tons, is a sharp decline from the 1,020,075 tons at the end of January, and 1,137,036 tons at the end of December. The increase, however, is sufficient to bring the total tonnage to the largest amount on the corporation's books at any time since September, 1917, when 9,883,477 tons were reported.

Unfilled tonnage reported is nearly equal to the corporation production capacity for the balance of the year. The fact that no greater amount of new business was taken in February can be variously interpreted, but that the corporation should be indisposed to commit itself beyond 1920 operations, at this time, would seem a natural explanation.

Furthermore, consumers are pressing for the earliest possible deliveries. With late 1920 or early 1921 delivery the best possible arrangement with the Steel Corporation, it is not unusual that they should be willing to pay substantial premiums to independents for speedier shipments. V. 25, P. 768.

VANADIUM CORP. — Outlook Bright.—If present prospects are fulfilled the company will earn well over $20 a share on its 373,334 shares. Demand is much greater than supply and, it is expected, earnings under these circumstances are principally a question of ability to meet demand and will probably amount to more than $12 a share.

January earnings were about $1 a share on the stock. Ferro-vanadium, the company's product, is now selling at $6 to $6.25 a pound, an increase of about $2.50 in the last seven months. V. 25, P. 664.

PUBLIC UTILITIES

B. R. T.—Higher Fare Application Withdrawn. — Judge Mayer, in the Federal District Court, has directed receivers of the company and the New York Rys. Co. to withdraw applications filed with Board of Estimate for permission to charge 8-cent fare for six months. The action deprives the Board of any immediate reason for pursuing the traction hearing, but it may decide to complete the inquiry on its own initiative. Hearing on Interborough Rapid Transit's application was finished so it was not withdrawn. The underlying reason for withdrawals is said to have been the alleged discour-

teous treatment of traction officials on the part of members of the Board during the investigation. V. 25, P. 677.

CENTRAL & SOUTH AMER. TELEGRAPH.—Earnings Statement.—Company has submitted income statement to the N. Y. Stock Exchange for the 11 months ended Nov. 30, 1919, showing surplus after all expenses and Federal taxes of $2,670,284, equivalent to $11.91 a share ($100 par) earned on the $22,420,000 capital stock.

CHICAGO CITY RY.—Condition Improves Markedly.—Net Income for 1919 after all charges was $1,303,937 equal to $7.24 a share on the $18,000,000 capital stock. This compares with $4.70 a share earned in the preceding year. Surplus for year after payment of dividends amounted to $403,937 or $2.24 a share compared with a deficit of $53,814 in 1918 and $73,615 in 1917.

CHICAGO & EASTERN ILLINOIS.—Compensation Asked Cut in Half.—Board of referees recommends $4,450,000 per year as a just and reasonable amount of compensation to be paid for the use of the road while under Federal control. Company asked for $9,943,178.

CITIES SERVICE.—Number of Stockholders Increased.—Holders of the company and subsidiaries exceed 59,000. Stockholders of Cities Service Co. of record Feb. 15 totaled 29,667. Of these 18,723 were holders of Cities Service Co. preferred, 4,169 holders of common and 6,994 holders of Bankers Shares. Holders of Cities Service Co. common stock in the last three years have increased from 3,186 to 4,169, of preferred stock from 9,811 to 18,723. On Apr. 1, 1919, when the first distribution was made on Cities Service Co. Bankers Shares, there were 1,060 holders of record of that security. V. 25, P. 677.

COMMONWEALTH POWER.—Earnings Increase.—Net for 1919 available for dividends amounted to $9,060,524 against $7,371,806 earned in the preceding year. Gross for 1919 shows an increase of more than 11%, advancing from $22,367,145 to $26,414,305. V. 25, P. 592.

CONSOLIDATED GAS (Baltimore).—Earnings Larger.—Balance for 1919 available for dividends amounted to $2,517,088 or $16.78 a share on outstanding common of $14,565,000. This compares with $2,132,564 or $14.22 a share in the preceding year. Gross for the year advanced to $12,813,617 from $10,619,588 in 1918, an increase of more than 12%.

DAYTON POWER & LIGHT.—Earnings Doubled.—Company reports for the year ended Dec. 31, 1919, net surplus after all charges and taxes of $433,209, equivalent after deduction of preferred dividends to $7.85 a share ($100 par) on the $3,053,000 common stock, as compared with net surplus of $301,916, or $4 a share on the common stock in 1918. V. 25, P. 769.

DENVER GAS.—Annual Income Statement.—

Gross	$4,316,957
Net	1,726,195
Bond interest	636,517
Net income	1,089,678

Company is offering at 98 and interest $2,000,000 2-year 7% collateral notes secured by deposit of $3,655,000 first mortgage and first and ref. mortgage bonds of the company.

MONTANA POWER.—Earnings Smaller.—Company reports for the year ended Dec. 31, 1919, surplus after charges and Federal taxes of $2,167,055, equivalent after deduction of preferred dividends to $3.43 a share earned on the $43,407,500 dividend bearing common stock, as compared with surplus of $3,050,195, or $5.87 a share on the $40,407,500 dividend bearing common in 1918. V. 25, P. 678.

I. R. T.—City Threatens Seizure of Subways.—Corporation Counsel Burr asked Transit Commissioner Delaney to notify the company that unless it takes immediate steps to provide a system of passenger transportation more satisfactory in every way, it faces the possibility of having its subway lines taken over and operated by the city. The terms of the subway contract gives the city the right to enter upon and, as agent of the lessee, operate the railroad and equipment and existing railroads and equipment at the rate of fare and in the manner provided in the lease for the remainder of the term. V. 25, P. 769.

N. Y. RYS.—Additional Transfer Charge Upheld by Court.—Attempt of city to restore free transfers on lines of company, abolishing the two-cent charge allowed by P. S. Commissioner Nixon, was defeated March 16, when Justice Greenbaum of the Supreme Court granted the motion of the counsel to the commission, to quash the writ of certiorari obtained by Corporation Counsel Burr. V. 25, P. 678.

N. Y. TELEPHONE.—Expands.—Reports made by inspectors of the Public Service Commission, Second District, show the company is installing telephones in New York City at a rate that will result in an addition of over 100,000 telephones during 1920. This will break all records. In 1919 the company installed 86,000 new telephones in the metropolis, more than twice as many as in a normal year. The 1920 installation, however, will exceed that of 1919 by nearly 16%.

NORTHERN STATES POWER.—Net Increases Substantially.—While the operating costs continue high as compared with former years, the larger gross business leaves a substantial increase in net earnings compared with 1918. After deducting estimated federal income taxes and 7% preferred dividends, the balance for depreciation, amortization and common stock, amounted to $941,259. Substantial increases in gross and net earnings are reported in the first two months of 1920. During the past year approximately $3,200,000 was invested in additions to properties, and the company's construction programme for 1920 and for several years to come will require correspondingly large capital outlays. During 1919, 963 new installations were connected to the company's power lines and the number of electric customers was increased from 95,615 to 108,459.

PHILADELPHIA R. T.—Reports Larger Surplus.—Surplus for 1919 after charges and Federal taxes was $1,715,876 or $2.86 a share of $50 par value, earned on the $29,991,660 capital stock, against $2.55 earned in the preceding year. After payment of $1,499,290 dividends, balance amounted to $216,586 or 36c a share, compared with 6c a share in 1918.

P. S. of N. J.—To Resume Common Dividends.—As was pointed out in a previous issue of THE MAGAZINE OF WALL STREET, the company was in a position which was steadily improving. In view of more satisfactory earnings, regular quarterly dividend of 2% on the preferred and 1% on the common was declared payable March 26 for the common and March 22 for the preferred. V. 25, P. 342.

TOLEDO TRACTION.—City to Issue New Bonds for Traction Purposes.—Ohio Supreme Court has held that a city may incur debt through the issuance of bonds or otherwise for the purpose of acquiring a street railway system within the city. Pres. Doherty of the company has demanded that he receive 20% cash or general credit bonds as a first payment, with the remainder in first mortgage bonds. V. 25, P. 71.

WESTERN ELECTRIC.—To Reduce Preferred.—Plan calling for a reduction in the preferred stock of 300,000 shares ratified. This stock has been redeemed by the company at 120 plus accrued dividend amounting to $1.15 a share. On March 12 the stockholders held another meeting for the purpose of authorizing a new issue of 7% cumulative preferred stock to take the place of the issue now being retired.

MINING NOTES

AMERICAN SMELTING.—In Better Position.—Improvement in copper market and adjustment of the reserve for depreciation will enable company to show a balance for the common sufficient to cover the $4 dividend. Conditions in the silver market were excellent due to very heavy demand and high prices. Lead and tin also profitable, so that unfavorable trend shown by earnings in first 6 months of 1919 was speedily reversed by the turn in the copper market. Operations in Mexico progressing favorably and expected to increase substantially in earning capacity. V. 25, P. 678.

ANACONDA COPPER.—New Silver Ore Body Opened.—On the lower levels of its Nettie mine, adjoining the Hibernia of the Davis-Daly Copper Co. on the west, the company has opened a large body of silver ore, of a reputed width of 30 feet and averaging more than 20 ounces of silver. This ought to add considerably to Anaconda's earnings

which should, in turn, help the stock advance appreciably. V. 25, P. 594.

BINGHAM MINES.—Earnings of Subsidiary Decline.—Company reports for 1919 net receipts from operations and dividends of its subsidiary, Eagle & Blue Bell (after provision for Federal taxes and other deductions), of $122,230, or 81 cents a share, as compared with $331,731, or $2.21 a share, in 1918.

An important discovery of ore is reported in the Victoria, one of the Tintic properties of the company. The strike was made below the 1,280-foot level.

CONSOLIDATED COAL.—Sharp Decline in Surplus.—Surplus for 1919 after charges and Federal taxes, amounted to $3,009,278, equivalent to $7.48 a share earned on the $40,205,448 outstanding capital stock, against $5,008,691 or $12.45 a share in 1918. Surplus for the year was $597,424 compared with $2,598,645 in the preceding year.

DALY-WEST MINING. — Doing Well.—Company has not only wiped out a treasury deficit but has over $142,000 in cash, and in that month earned net profits of $27,000 after all charges. Indications are that final net for Feb., 1920, will equal if not exceed the Jan. showing. Company is producing between 400 and 450 tons of silver-lead ore a month. Of late the company has been producing 10 tons of high grade ore daily, averaging over $100 per ton.

FEDERAL MINING & SMELTING.—Annual Meeting.—Will hold annual meeting of stockholders for election of directors and transactions of business April 12, 1920, at 120 Broadway, N. Y. C. No vote will be taken to increase, or to authorize the increase of preferred stock, or to amend the provisions of charter or by-laws with respect to preferred stock which has no voting power. V. 25, P. 463.

GOLDFIELD CONSOLIDATED MINES. — Reports Deficit. — Total earnings for 1919 amounted to $244,849; after Federal taxes, depreciation, depletion, general expenses and dividends. Deficit for the year was $982,716. V. 25, P. 730.

LA BELLE IRON. — Earnings Smaller.—Company reports for the year ended Dec. 31, 1919, net profits after all charges and Federal taxes of $2,254,613, equivalent after preferred dividends to $14.74 a share on the $9,915,400 common stock, as compared with net profit of $2,585,416, or $18.07 a share in 1918. The net includes provision for exhaustion of minerals, general depreciation, adjustments and bond interest.

PERUVIAN COPPER & SMELTING.—Owns Most Important Coal Fields in Peru.—Considerable interest has been aroused in Peru by the recent construction and development work of the company, which has $10,000,000 authorized capital. The stock has not been offered to the public or listed on any exchange. The money thus far has been provided by syndicate financing.

In 1919 the company acquired extensive

copper properties at Yauricocha and Felicidad, 50 miles from Pachacayo Station on the Central R.R. of Peru; also several square miles of coal lands in the heart of the Jatunhuasi district, 30 miles from Pachacayo. This is the most important coal field in Peru.

At Yauricocha, the company's copper mines have been partially developed revealing a large body of ore averaging 12 per cent. copper and considerable silver content. The company's undeveloped property at Felicidad is overcapped by the largest gossan outcrop thus far discovered in Peru.

PITTSBURGH COAL.—Sharp Decline in Net.—Net income for 1919, after all charges but before Federal taxes, was $4,559,716 or $6.69 a share earned on the stock against $13.21 a share earned in preceding year. After payment of 6% dividends on both common and preferred, both classes of stock share equally in any further distribution of dividends.

TEMISKAMING MINING. — In Better Position.—No work was done on the North Dome in 1919 because of the high cost of exploration. It was possible that the results of work on the Dome Extension might encourage operations on the North Dome later. At the 500-foot level of the Gans property about 1,400 tons of ore had been obtained showing ore running from 25 to 30 ounces of silver. There is enough ore in the old working of the company to pay costs for three months.

VICTORIA COPPER.—Production Falls Off Somewhat.—Company produced 170,000 pounds of mineral in Feb., 1920, from which was secured 114,000 pounds of refined copper, compared with 186,000 pounds of refined metal in Jan., 1920, and 167,000 pounds in Dec., 1919.

VIRGINIA IRON, COAL & COKE. —Earnings Maintained.—Surplus for 1919 after charges and Federal taxes was $1,075,329 or $11.85 a share on the $9,073,600 capital stock compared with $1,020,191 or $11.24 in 1918. Gross showed a decline of about 28 per cent. Balance after payment of dividends was $530,913 or $5.85 a share, against $5.24 a share in the preceding year.

WINONA COPPER. — Increases Production.—Production of Winona in February was 182,000 pounds of mineral, which will run approximately 65 per cent. refined copper (or 118,300 lbs.). Output for January was 157,000 pounds of refined. The company has 300,000 pounds of copper on hand. With demand for copper increasing the outlook of the copper producers is rather bright and advances in prices are to be looked for. V. 25, P. 594.

WOLVERINE COPPER. — Mining Not Profitable.—Operations are confined to taking down pillars and re-working old stopes that show commercial rock. The rich places in the Kearsarge lode are exhausted with the exception of the pillars, but there are a number of spots which produce a large tonnage of stuff which is averaging about ¼ of 1 per cent. copper and this may be mined and handled with profit by strict economy.

February output of rock was 16,708 tons, a falling off from 20,622 tons in January and will show a production of 250,000 pounds of refined copper.

OIL NOTES

BRITISH CONTROLLED OIL FIELDS. — New Organization.—Company, with $40,000,000 capital, has been organized with a Dominion charter to operate oil concessions in Venezuela, Ecuador, Costa Rica and Trinidad. The capital stock is equally divided between common and preferred of the par value of $5 per share, the preferred being 7 per cent. non-cumulative convertible non-voting. The company is largely promoted by British capitalists.

CUMBERLAND PIPE LINE.—Reduces Corporate Surplus.—After a survey of its financial position management has decided there were not set aside for depreciation of its fixed asset accounts sufficient sums to care for the conditions found to exist within the year 1919, and therefore it has added for depreciation $128,986 and has adjusted the statement for the year 1919 by reducing the profit and loss account to $1,394,891 and increasing the depreciation to $906,159.

FREEPORT TEXAS.—Sharp Decline in Earnings.—Net income for 1919, after Federal taxes, depreciation and depletion, amounted to $624,838, or $1.25 a share on the capital stock. The 1918 report showed a net income of $3,933,040, or $7.86 a share, but before making provision for Federal taxes. The Federal tax provision in the present income account is $79,193. After dividends last year there was a deficit of $215,232, as compared with a 1918 surplus of $3,933,040. The surplus of the company is $4,599,561. V. 25, p. 589.

GILLILAND OIL.—Acquires New Interest.—Company has purchased a 75 per cent interest in the Thos. Slick and B. B. Jones property in the Jennings, Okla., pool, comprising three wells with total daily production of 2,000 barrels. V. 25, p. 772.

HOUSTON OIL.—Retires All Outstanding Debts. — Application will be made shortly to list the company's common and preferred on the N. Y. Stock Exchange. Houston has just increased its capital stock 50,000 shares, taken by present stockholders at par, $100, on which there was a 70 per cent. oversubscription. With approximately $4,000,000 of this it has paid off and retired all of its outstanding indebtedness to the Kirby Lumber Company, represented in timber certificates. Houston Oil now controls approximately 800,000 acres of oil land in Texas and Louisiana. V. 25, p. 595.

INDIAN REFINING.—Pronounced Increase in Earnings.—Company reports net earnings after taxes for 1919 of $1,742,980, equal to $51.10 a share on $3,000,000 common stock after payment

of preferred dividends, compared with $33.13 earned on common in 1918. Federal tax reserve in 1919 amounted to $725,000 against $2,500,000 in 1918.

INVINCIBLE OIL. — Subsidiary Lays New Pipe Line.—Louisiana Oil Refining Co., a subsidiary, is moving about 12,000 barrels of oil daily from its producing properties in the Homer field. A new six-inch line, of which three miles have been completed, is being laid from the field to Lorex. When completed it will give the company a pipe line capacity of 25,000 barrels a day and will permit the storing of a larger amount of oil. The charging capacity of the refinery is being increased from 3,000 to 5,000 barrels a day, the work to be finished by April 15. There are 100,000 barrels in storage at the plant. V. 25, p. 773.

LIVINGSTON OIL.—In Favorable Position.—The company's holdings consist of approximately 108 wells in all important Oklahoma and Texas fields. Three wells are drilling in the Coweta field, two in Cushing and two in Walters. Five are on the sand in Burkburnett. Its earnings in January were approximately $125,000, which is not as good a showing as in December, which was about $200,000. That falling off was due to extreme weather in January. February's figures are expected to show better than December's, but its figures have not been completed and probably will not be before the end of this month. No action has been taken regarding dividends for this period. The company paid 3 per cent. in January and a 5 per cent stock dividend, but its directors have been pursuing a policy of conservatism with the idea uppermost in their mind of developing and drilling its holdings.

METEX PETROLEUM.—Brings in New Well.—Corporation has brought in a well on their lease in Stephens County, Texas; well is flowing 200 barrels on top of sand and officials estimate a settled production of 500 barrels daily. V. 25, p. 515.

PHILLIPS PETROLEUM.—To Increase Earnings.—Net for 1919 was $1,727.654 or $3.38 a share on the outstanding 511,000 shares of stock. Earnings for 1920 indicate an increase of at least four times over the preceding year, according to M. M. Dean, vice-president and general manager. Company owns 584 wells, and 105,000 acres of land located in the best known districts in Kansas, Oklahoma, Texas, Kentucky and Louisiana; building its third gasoline plant which will place company among the largest manufacturers of casing head gasoline.

SOLAR REFINING.—Makes Good Showing.—Net earnings for 1919 were $1,651,992 or 82.59 a share on the $2,000,000 stock. This is relatively the best showing made by any of the Standard Oil companies. Compared with its present selling price, around 400, the stock is out of line with some of the higher priced Standard Oil issues. The Solar company is a Standard refining company in Ohio. The increase in earnings is due to enlarged refining capacity during the year.

STANDARD OIL (New Jersey).—To Increase Daily Output.—Company has listed $98,338,300 common and an equal sum of 7 per cent. cumul. non-voting preferred stock.

Company has a refining capacity in this country alone of 144,800 bbls. a day and is constructing 17,500 bbls. additional capacity daily. It has additional refining capacity in Canada, Mexico and South America, making its present total capacity around 200,000 barrels. With the completion of planned extensions, company will be able to handle about 300,000 bbls. a day, or one-third the present crude oil production in this country. Earnings before taxes are estimated at $120,000,000 compared with $101,000,000 in 1918, equal to $115 a share of common after deduction of preferred dividends. V. 25, P. 774.

TEXAS CO.—Earnings on Common Larger.—Reports for the year ended Dec. 31, 1919, net profits after all charges and Federal taxes of $18,671,416, equivalent to $21.96 a share (100 par) on the $85,000,000 capital stock. The company changed its fiscal year from June 30 to Dec. 31, and for the six months ended Dec. 31, 1918, reported net income of $8,801,726, or $12.68 a share earned on the $69,375,000 capital stock. For the twelve months ended June 30, 1918, the company reported net income of $20,640,991, or $29.75 a share earned on the $69,375,000 capital stock then outstanding.

Company has advanced price of gasoline 2 cents a gallon and that of kerosene 1 cent. This will help considerably the company's earning capacity and the stock should benefit accordingly. V. 25, P. 597.

WHITE OIL. — Important Pipe Line Completed. — Completion of the corporation's six inch pipe line from the Homer field to its tank farm at Minden means the marketing of its production in that field.

Prior to the completion of the pipe line White Oil had two producing wells in the deep sand, from which a nominal amount of production was run into field storage, and was drilling five others. These five are located on the Oakes lease, offsetting big wells of the field. In the shallow (northwest) section of the field the company has two drilling operations on its 700 acre Wheaton tract. One well is ready to drill in and the other offsets a 500-barrel well completed recently. Three deep tests on the King, Norman and Shaw leases cover the company's present drilling operations in Homer.

In the Goose Creek field the company has 1,000 barrels of settled production. It has 1,000,000 barrels in storage and 1,500 barrels daily production in the West Columbia field, 150 barrels in Humble and 150 barrels in Hull. The latter is a new field for the company. The West Columbia production and stored oil is being brought to the refinery under contract. V. 25, P. 683.

UNLISTED NOTES

AM. BANK NOTE COMPANY.—Net Increases.—Net for 1919 after all charges and taxes was $1,187,259 or $10.20 a share on common stock, after

payment of preferred dividends, against $8.72 earned in 1918. Preferred dividends aggregated $269,739 and common disbursements $269,742, leaving surplus for year of $647,778 or $133,190 more than in 1918.

E. D. BLISS.—Stock Dividends Not Likely.—Net profit for 1919 after taxes was $1,855,524. Dividends paid during the year amounted to $662,500, and the total surplus on January 1, 1920, stood at $17,270,079. At the annual meeting of the stockholders, the directors were reelected and no action was taken on the question of declaring a stock dividend.

CENTRAL SUGAR.—Earnings Improving.—We learn from a reliable source that for the fiscal year ending June 30, 1920, the company is expected to show earnings around $1,000,000 before taxes, on its capitalization of $3,000,000 preferred stock and $400,000 common stock. Production of raw sugar last year was 114,131 bags which would have been increased by 60,000 bags but for a boiler accident that curtailed operations.

The net assets of the company are valued at over $6,000,000, while liabilities are about $1,400,000, the largest item being bills payable a trifle over $1,000,000. This leaves assets of approximately $4,600,000 behind its $3,400,000 of capital stock. Gross earnings and turnover seem satisfactory considering the size of the company, and ultimately the stock should do better if present improvement becomes permanent.

ELECTRIC STORAGE BATTERY.—Earnings Larger.—Net income for 1919, after all charges, but before Federal taxes was $4,800,812 or $28.96 a share on the $16,561,925 common, after deduction of preferred dividends. This compares with $24.45 a share earned in 1918. After payment of taxes earnings should amount to about $16.88 a share. Gross sales for the year also considerably larger, amounting to $6,000,852 against $4,825,757 in previous year. Corporate surplus at end of year was $13,347,214.

EMPIRE STEEL & IRON.—In Strong Position.—Net earned on common in 1919 was $16.16 a share on the $1,189,310 outstanding common stock, after providing for 6% preferred dividends and taxes, against $19.38 in 1918. Company has $2,500,000 6% cumulative preferred stock and $347,000 6% bonds outstanding. Net surplus for year was $254,109. Corporate surplus was $2,444,000 or equivalent to $138 a share of common after deducting back dividends due on preferred of $800,000. Working capital at end of 1919 was $1,136,290, or about $31 a share.

FAJARDO SUGAR.—Earnings Smaller.—Surplus after charges for year ended July 31, 1919, was $471,623 or $14.11 a share on outstanding capital stock, against $19.93 a share earned in preceding fiscal year.

FAIRBANKS CO.—Sales Increasing.—Balance for 1919 for the common stock, after liberal depreciation reserve and after taxes amounted to nearly $10 a share, as compared with approximately

$8 a share in 1918. Sales so far this year have been running well ahead of a year ago, both on lines which the company manufactures itself, and on those which it simply merchandises. A big business is being done on the sale of equipment for Ford service stations.

FITKIN, A. E. & Co.—New Stock Exchange Firm.—Company has been admitted as members of the Stock Exchange and has added three new members to their firm, which will continue to deal in investment securities in New York City and its branch offices in Boston, Pittsburgh and Chicago.

FRANKLIN MFG.—Plans Increase in Production.—To take care of the production schedule for the current year, which amounts to 16,000 cars, or 80% more than in the previous year, company is offering additional $1,000,000 7% cumulative preferred sinking fund stock at $100 a share and accrued interest.

GENERAL BAKING.—Earnings Increase.—Net profits for 1919, after charges and Federal taxes were $870,606 or $14.76 a share on the $5,925,000 7% preferred, against $7.78 a share in previous year. Accumulated dividends on preferred amount to more than 22%. Surplus for year was $455,856 or $7.73 a share.

GREENFIELD TAP & DIE.—Receives Large Orders.—To take care of greatly increased business, company has issued 20,000 shares of common at $51 (yield about 8%). Orders for January and February, 1920, are largest in company's history, which has a capital of $1,500,000 6% preferred and $2,000,000 common of $25 par value. It owns and operates 8 factories in Greenfield and 1 plant in Galt, Ontario. Annual sales around $5,000,000.

HERCULES PAPER.—To Play Important Part in Country's Paper Industry.—With the ownership of two large mills, located at Cornwall-on-the-Hudson and Rock City Falls and negotiations under way to acquire several other mills throughout the country, the company is expected to command, before long, a leading position in the paper industry of America. Thanks to the aggressive and capable management which includes among others Messrs. Max Holz, L. M. Josephthal, Henry J. Schnitzer of Josephthal & Co., the company has been enabled to obtain sufficient business to run its mills at full day and night capacity for at least two years. In view of this the stock which has experienced a sensational advance recently, should prove attractive. The company has also acquired the Frank Gilbert Paper Corporation with mills at Cohoes and Waterford, which are beyond doubt among the finest in the country thanks to capable management and supervision of Vice-President H. I. Prankard, who has had about 25 years of experience in the paper manufacturing trade.

HOOD RUBBER.—Sharp Decline in Earnings.—Earnings for 1919 were less than for the three years previous, for

prices of rubber footwear were lower and costs were higher in 1919 than in 1918. Prices on rubber footwear were advanced on Jan. 1, 1920, and this increased margin, together with the increased efficiency of the factory and the economy of the Products Co., should show satisfactory earnings for 1920. Net quick assets have increased from about $5,400,000 on Dec. 31, 1918, to about $6,252,000 on Dec. 31, 1919. On Dec. 31, 1919, there were employed over 9,000 people as compared with 7,900 on Dec. 31, 1918. Capacity was somewhat increased in 1919 over 1918, and with increased production, sales should again increase in 1920.

KRESS, S. H.—**Sales Increase.**—Net profits for 1919 were $2,075,826 or $17.30 per share of outstanding common, compared with $7.44 in 1918. Sales for the year were $25,244,130, an increase of more than 19% over preceding year. Net working capital amounted to $6,444,159, or about $40 a share on stock, both common and preferred.

NATIONAL ACME. — **Reports Larger Surplus.**—A substantial decline in earnings in comparison with those of 1918 was disclosed in the company's annual report. Net sales for the year just ended of $12,240,990 against $14,193,754 in 1918, and gross profits after cost of goods sold amounting to $3,824,216 against $5,813,902. Operating expenses for the year aggregated $762,449 against $733,060. Although the decline in net sales and total income after the adjustment of other income was $3,198,924 against $5,139,395, the surplus for 1919 was $919,170, against $858,215.

NATIONAL FIREPROOFING. — **Reports Large Deficit.**—Report for the year ended Dec. 31, 1919, shows deficit before depreciation of $134,936 against profit of $5,840 in 1918. After charging out $100,000 for depreciation, deficit for year was $234,936, as compared with deficit of $94,160 for previous year.

SPICER COMPANY. — **Recapitalizes.**—Company plans to authorize 100,000 shares of new 8% preferred stock, of which 30,000 will be issued immediately, and 600,000 shares of common of no par, of which 280,000 will be issued. Company has called for payment April 1 all first preferred stock outstanding at $115 and accrued dividends.

UNITED NAT'L UTILITIES. — **Net Shows Big Increase.**—Net income for 1919 of American Rys., the company's subsidiary, after allowing 7 per cent on $4,000,000 preferred, was $624,319, equal to 3.64 per cent earned on the $9,460,000 common, compared with $292,466 or .14 per cent in the preceding year.

Important Dividend Announcements

To obtain a dividend directly from a company, the stock must be transferred into the owner's name before the date of the closing of the company's books.

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
7%	Allis-Chalmers, .p..	1¾%Q	3-31	4- 4
6%	Am Agric Chem, p.	1½%Q	3-22	4-15
8%	Am Agric Chem, c.	2 %Q	3-22	4-15
8%	Am Beet Sugar, c..	2 %Q	4-10	4-30
6%	Am G & E, p ($50)	1½%Q	4-17	5- 1
4%	Am Ice, c.........	1 %Q	4- 9	4-24
4%	Am Ice, c.........	1 %Q	4- 9	4-24
7%	Am Shipbldg, p...	1¾%Q	4-15	5- 1
7%	Am Shipbldg, c....	1¾%Q	4-15	5- 1
....	Am Shipbldg, c ext.	2¼%	4-15	5- 1
$3	Am Stl F, c ($33⅓)	.75c Q	4- 1	4-15
8%	Am Tel & Tel.....	2 %Q	3-19	4-15
7%	Am Woolen, p.....	1¾%Q	3-18	4-15
7%	Am Woolen, c....	1¾%Q	3-18	4-15
6%	Associated Oil	1½%Q	3-26	4-15
7%	Barrett Co, p.....	1¾%Q	3-22	4-15
8%	Bell Tel of Can....	2 %Q	3-31	4-15
5%	Central C'l & C, p.	1¼%Q	3-31	4-15
6%	Central C'l & C, c.	1½%Q	3-31	4-15
6%	Central Ill Pub S, p.	1½%Q	3-31	4-15
5%	Central Leather, c.	1¼%Q	4- 9	5- 1
8%	Chic Pneumatic T'l.	2 %Q	4-15	4-26
5%	C, C, C & St L, p.	1¼%Q	3-30	4-20
....	Con Cig, c (no par)	.a$1.50	4- 1	4-15
$3	Consol Textile	75c Q	3-31	4-15
$1	Con'l C'dy (no par)	25c Q	3-29	4-20
7%	Continen'l Motor, p	1¾%Q	4- 6	4-15
12%	Crucible Steel, c...	3 %Q	4-15	4-30
....	Cruc'e St'l, c ext.	e50 %	4-15	4-30
8%	Detroit Edison	2 %Q	3-31	4-15
7%	Dominion Textile, p.	1¾%Q	3-31	4-15
6%	duP deN & Co, d stk	1½%Q	4-10	4-26
10%	Eastern Steel, c..xx	2½%Q	4- 1	4-15
8%	General Electric ..	2 %Q	3-20	4-15
....	Great N O P ($1)	.$2	3-29	4-15
6%	Harb-Walk-Refrac, p	1½%Q	4-10	4-20
7%	Illinois Brick	1¾%Q	4- 3	4-15
....	Illinois Brick, ext..	1½%	4- 3	4-15
5%	Int'l Agricultural, p	1¼%Q	3-31	4-15
$2	Jones Bros Tea, c.	50c Q	3-31	4-15
4%	Kan City S Ry, p.ss	1 %Q	3-31	4-15
4%	Kress (S H), c....	1 %Q	4-20	5- 1
$5	L V R R, p ($50)	.ss$1.25 Q	3-13	4- 3
$5	L V R R, p ($50)	.ss$1.25 Q	3-13	4- 3
6%	M'And's & Forbes, p	1½%Q	3-31	4-15
10%	M'And's & Forbes, c	2½%Q	3-31	4-15
$4	Mfrs Lt & H ($50)	.$1 Q	3-31	4-15
7%	M, St P & S S M, p	3½%S	3-22	4-15
7%	M, St P & S S M, c	3½%S	3-22	4-15
$1.50	Mon V Tr, p ($25)	37½cQ	3-31	4- 7
7%	National Biscuit, c.	1¾%Q	3-31	4-15
5%	N Y Central.......	1¼%Q	4- 1	5- 1
7%	Northern Pacific ..	1¾%Q	3-19	5- 1
8%	Nova Sco'a S & C, p	2 %Q	3-31	4-15
5%	Nova Sco'a S & C, p	1¼%Q	3-31	4-15
6%	Otis Elevator, p....	1½%Q	3-31	4-15
8%	Otis Elevator, c....	2 %Q	3-31	4-15
6%	Pacific Tel & Tel, p.	1½%Q	3-31	4-15
80c	Pack M C, c ($10).	20c Q	4-15	4-30
12%	P A P & T, c ($50)	3 %Q	3-13	4-10
12%	P A P & T, c B ($50)	3 %Q	3-13	4-10
6%	Penmans, Ltd, p...	1½%Q	4-21	5- 1
10%	Penn S't Mfg ($50)	2½%Q	3-31	4-15
$3	Phila Co, n p ($50)	.$1.50 S	4- 1	5- 1
$3	Phila Co, c ($50)...	75c Q	4- 1	4-30
6%	Pitts Coal (Pa), p.	1½%Q	4- 9	4-24
5%	Pitts Coal (Pa), c.	1¼%Q	4- 9	4-24
7%	Pitts, Ft Wa & C, p	1¾%Q	3-10	4- 6
12%	Prairie Oil & Gas.	3 %Q	3-31	4-30
....	Prairie Oil & G, ext	5 %	3-31	4-30
12%	Prairie Pipe Line..	3 %Q	3-31	4-30
8%	Proc & Gamb, 8% p	2 %Q	3-25	4-15
12%	Quaker Oats, c....	3 %Q	4- 1	4-15
....	Quaker Oats, c ext	1 %	4- 1	4-15
$2	Read Co, 2d p ($50)	50c Q	3-23	4- 8
6%	Republic Ry & Lt, p	1½%Q	3-31	4-15
....	Savage Arms, c ext	5 %	3- 1	4-30
7%	Shawin'n W & P, c	1¾%Q	3-27	4-10
....	Stutz Motor, ext.	bx20 %	4- 5	4-15
$5	Tran & W (no par)	.$1.25 Q	4- 1	4-15
$4	United Gas I ($50)	.$1 Q	3-31	4-15
6%	United Paperb'd, p	1½%Q	4- 1	4-15
$1.50	Unit S M, p ($25).	37½cQ	3-16	4-15
6%	U S Food Products	1½%Q	4- 2	4-19
7%	U S Indus Alch, p	1¾%Q	3-31	4-15
8%	Va-Caro Chem, p..	2 %Q	3-30	4-16
....	Vanadium Corp ..	a$1.50	4- 1	4-15
6%	Western P Corp, p	1½%Q	3-31	4-15
7%	Western Union T.	1¾%Q	3-20	4-15
$7	Westing A B ($50)	.$1.75 Q	4- 1	4-30
8%	W't E & M, p ($50)	2 %Q	4- 2	4-15
8%	W't E & M, c ($50)	2 %Q	4- 2	4-20
5%	Wilson & Co, c.....	1¼%Q	4-21	5- 1
6%	Worth P & M, c..a	1½%Q	4- 5	4-15

a Initial dividend.
bx Stock dividend subject to approval at stockholder's meeting March 26, 1920.
e Payable in common stock.
ss Subject to the approval of the Director General of Railroads, N. Y. Stock Exchange ruled stock does not sell ex-div. on stock of record date.
xx Payable in Liberty Loan bonds.

The New-Book Letter

In this column in each issue of THE MAGA-ZINE OF WALL STREET we give a list of all the ew books on business, finance and investment at are published each week. All these titles e on sale by THE MAGAZINE OF WALL STREET.

GRICULTURAL ECONOMICS—by Henry C. Taylor, Chief of the Office of Farm Management, U. S. Department of Agriculture.

One of a series of Social Science Text Books. It is intended for the student nd farmer interested in the study of e economic principles which underlie e effective organization of the farm.

Price $2.60 postpaid.

MERICA'S MERCHANT MARINE —Distributed by the Bankers Trust Company for its customers and friends without cost.

This volume has been prepared in reponse to the deep interest, national and ternational, in the American Merchant arine. Each item and statement is of e strictest accuracy being derived from ficial reports or from other trustworthy urces.

ETTER LETTERS—A Little Book of Suggestions and Information about Business Correspondence.

States simply and directly the things at are of elementary importance in od business letters, telling how to ake business letters direct, forceful, dividual, persuasive, grammatical and tractive. For everyone, from execute to stenographer.

Price $1.10 postpaid.

DIVIDEND NOTICES

Packard Motor Car Company

COMMON STOCK

The Board of Directors have declared the regular quarterly dividend of two and one-half per cent (2½%) on the common capital stock of the Company, payable April 30, 1920, to the holders of the common stock of record at the close of business on April 15, 1920. The books will not be closed.

FREDERICK R. ROBINSON, Secretary.

Detroit, Michigan. March 26, 1920.

PACIFIC GAS AND ELECTRIC CO.
COMMON STOCK DIVIDEND NO. 17.

The regular quarterly dividend of $1.25 per share will be paid April 15, 1920, to shareholders of record at close of business March 31, 1920. The transfer books will not be closed and checks will be mailed from the office of the Company in time to reach stockholders on the date they are payable.

A. F. HOCKENBEAMER, Vice-President and Treasurer, San Francisco, California, March 17, 1920.

Inspiration Consolidated Copper Co.

NOTICE OF ANNUAL MEETING.

Notice is hereby given that the Annual Meeting of the Stockholders of the Inspiration Consolidated Copper Company will be held at the office of the company, 242 Water St., Augusta, Maine, on Monday, the 26th of April, 1920, at 2 o'clock P. M., for the transaction of any and all business that may come before the meeting, including the election of directors.

The Transfer Books will not be closed, but only those stockholders of record at the close of business, viz. (3 o'clock P. M.), on Friday, April 9th, 1920, will be entitled to vote at said meeting.

By order of the Board of Directors.

J. W. ALLEN, Secretary.

New York, March 25, 1920.

Inspiration Consolidated Copper Company.

The directors have this day declared a dividend of $1.50 per share, payable Monday, April 26, 1920, to stockholders of record at 3 o'clock P. M. Friday April 9, 1920.

J. W. ALLEN, Treasurer.

New York, March 25, 1920.

BONDS AND THE BOND MARKET—Compiled by the American Academy of Political and Social Science.

A compact and logical analysis of the bond situation from a scientific and business point of view, showing phases of the bond business which seldom appear elsewhere in written form. This book is correctly divided into Bond Features and Services of the Investment Banker, American Government and Corporate Bonds, Foreign Government and Corporate Bonds, Leading Problems of Current Interest and Bond Prices.

Price $1.10 postpaid (paper edition).
$1.60 " (cloth edition).

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Of interest to all business men and women, this book clearly explains all phases of business letter writing under such chapters as: The Business of Letter Writing, including the writing of business letters; Means for Conveying the Thought; Punctuation; Sales Letters; etc. Price $4.15 postpaid.

CURRENT SOCIAL AND INDUSTRIAL FORCES — by Lionel D. Edie—Associate Professor of History and Politics, Colgate University.

Every wide awake American who is interested in his own fortune and America's future should be interested in this book because it is a study of change dealing with the fundamental features of the social and economic order.

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INTERNATIONAL WATERWAYS —by Paul Morgan Ogilvie.

In two parts. Part 1—Epitomizes the essential relation of waterways; surveys the inception and development of maritime enterprise; historical review of the successive efforts of certain maritime powers to secure exclusive enjoyment of the seas. Part 2—Comprises a reference manual, listing in alphabetical order all the international inland waterways of the world. Price $3.15 postpaid.

INVESTMENTS—by David F. Jordan, Lecturer on Finance, New York University.

Written for the use of investors and persons professionally engaged or about to be engaged in investment work. The subject of Investments is presented in a manner both simple and reasonably complete. Price $3.10 postpaid.

YOU AND YOUR BROKER—by Robert Lincoln Smithley, formerly member of N. Y. Stock Exchange.

A handbook for investors and traders which explains your duties and rights as a customer and your broker's obligations to you as an agent. Price $3.10 postpaid.

United Drug Company

First Preferred Stock Dividend No. 17

The Directors of United Drug Co. have declared a regular quarterly dividend of 1¾% on the first preferred stock of United Drug Co payable May 1, 1920, to stockholders of record April 15th, 1920.

JAMES C. McCORMICK, Treasurer.

Boston, March 25, 1920.